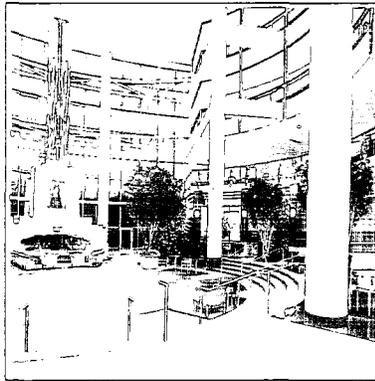
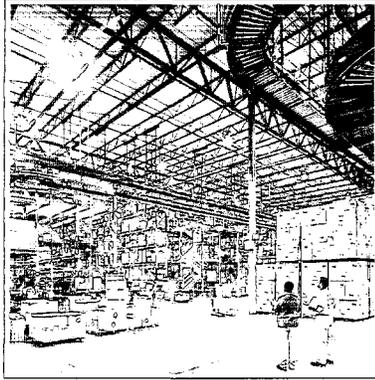


Liberty Property Trust

2001 Annual Report



Enhancing people's lives through
extraordinary work environments

PROCESSED

APR 24 2002

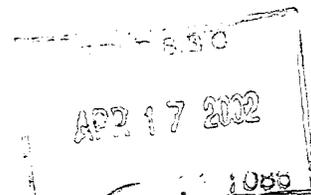
THOMSON FINANCIAL P

ARLS

PE
12/31/01



02027301



APR 17 2002

1080



Company Profile

Liberty Property Trust (NYSE:LRY) is a leading commercial real estate company that develops, acquires and manages quality office and industrial properties in the United States and Europe.

Liberty's 50 million square foot portfolio provides extraordinary work environments for nearly 2,000 companies.

Financial Highlights

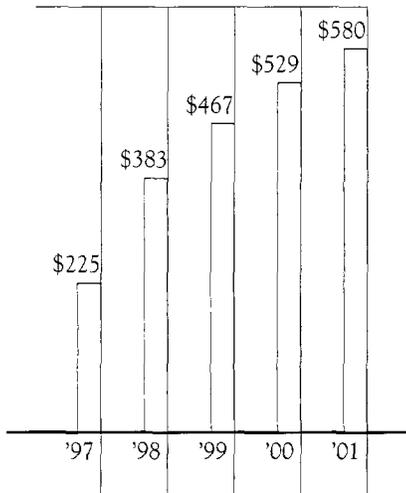
As of and for the year ended December 31,

(in thousands except per share amounts
and number of properties)

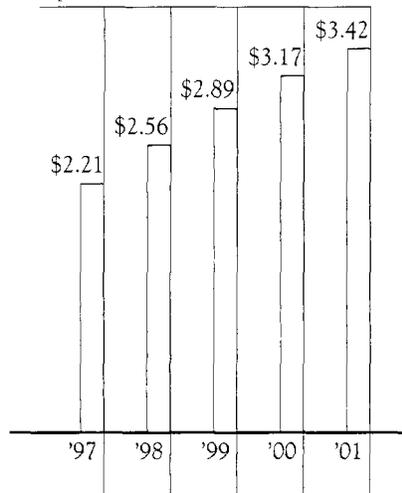
	2001	2000	1999	1998	1997
Revenue from Real Estate	\$ 580,308	\$ 528,589	\$ 466,522	\$ 382,980	\$ 225,361
EBITDA	\$ 400,340	\$ 383,350	\$ 340,120	\$ 263,226	\$ 160,788
Net Income	\$ 166,537	\$ 159,271	\$ 141,324	\$ 108,615	\$ 60,444
Net Income per Share (Diluted)	\$ 2.15	\$ 2.17	\$ 1.95	\$ 1.59	\$ 1.38
Funds from Operations	\$ 262,782	\$ 234,194	\$ 210,982	\$ 173,829	\$ 102,519
Funds from Operations per Share	\$ 3.42	\$ 3.17	\$ 2.89	\$ 2.56	\$ 2.21
Dividends Paid per Share	\$ 2.30⁽¹⁾	\$ 2.13	\$ 1.87	\$ 1.71	\$ 1.65
Number of Properties Owned	645	652	634	608	441
Square Feet of Properties Owned	49,771	48,216	46,219	44,168	32,453
Real Estate Assets before Depreciation	\$3,758,550	\$3,543,301	\$3,254,751	\$3,028,142	\$2,106,028
Total Assets	\$3,552,825	\$3,396,355	\$3,118,133	\$2,931,408	\$2,093,858
Market Capitalization	\$4,308,954	\$4,019,455	\$3,489,649	\$3,294,534	\$2,723,393

(1) Reflects increase in dividend effective as of third quarter. Current annualized dividend rate is \$2.36.

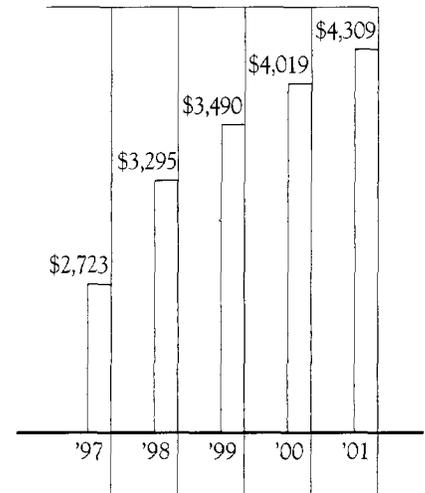
Revenue from Real Estate
(in millions)



Funds from Operations
(per share)



Market Capitalization
(in millions)



To Our Shareholders

Two years ago in this letter we wrote, "It has been difficult for REITs to find a following... among the larger investing public." We thought that as investors became educated about the diversification and income benefits presented by REITs, this would change.

Diversification and current income have come back in fashion lately. If any year demonstrated that real estate investment trusts could offer these benefits, it was 2001. We are very pleased that in a difficult environment, Liberty provided our shareholders with stability, a solid dividend, and an attractive return on their investment. In a year when the S&P produced an annual return of -11.9% and the Nasdaq -21.1%, Liberty provided shareholders with a 13.2% total return.

Earnings and dividend growth

Although the economy and the real estate markets suffered downturns in 2001, Liberty grew funds from operations by 7.9% to \$3.42 per share. Revenue increased by 9.8% to \$580 million.

We have increased our dividend for six straight years. Remember, that in order to retain their tax-free status, REITs must comply with IRS minimum dividend distribution requirements. The 2001 increase of 3.5% increased the annualized dividend per share from \$2.28 to \$2.36.

As dividends are a key component of a REIT's total return, investors often inquire about the certainty of our dividend. We share this concern, and are confident that our retained cash flow provides us a cushion against an economic downturn.

Dividend Growth

(per share annualized, as of December 31)



Operating performance

Liberty has three avenues of growth: property acquisitions, development, and achieving rental rate and occupancy increases in our core portfolio. With few properties available for acquisition at attractive prices in 2001, our growth was primarily due to development and core portfolio performance.

Our development pipeline continued to generate outstanding results. We brought 27 properties into service, achieving a 12.2% return on our \$235 million investment. The returns we achieve on our development remain among the highest in the industry.

Our core portfolio performance was also very good. Although occupancy declined during the year from 96.1% to 94.1%, rental rate increases offset this decline. As a result, net operating income on a cash basis for the same store group of properties increased by 2.6%.

In light of the extremely difficult operating environment, these achievements speak volumes about the ability and focus of Liberty employees.

William P. Hankowsky
President and Chief Investment Officer



George J. Alburger, Jr.
Executive Vice President and Chief Financial Officer

The business environment

Business began to slow early in the year, and we became concerned about tenant demand during the first quarter of 2001. We moved quickly to halt a number of development projects and place primary focus on maintaining core portfolio occupancy.

As the year progressed, and the tragedy of September 11 deepened the uncertainty concerning the economy, demand continued to slacken. Although the real estate marketplace reacted through the year with a decrease in construction starts, the large inventory of existing space for lease and sublease, along with fewer prospects for completed development projects, resulted in a record increase in office vacancy in the fourth quarter.

Robert E. Fenza
Executive Vice President and Chief Operating Officer



We responded throughout the year by working hard to fill empty space, increasing the intensity of our customer service focus to maintain occupancy, and using our market knowledge and our experience to respond quickly to these changing conditions. As a result, Liberty was able to produce same store growth and make significant progress in the leasing of our development pipeline in a very challenging environment.

We also maintained the strength and flexibility of our balance sheet. The solidity of Liberty's financial base was underscored when both Moody's Investors Service and Standard & Poor's upgraded our corporate credit ratings to Baa2 and BBB, respectively.



Willard G. Rouse III
Chairman and Chief Executive Officer

2002 outlook

We have been approaching 2002 in the same manner as 2001. Although business in general may ebb and flow, and has shown some recent improvement, it would not be prudent to run the business as if we are anticipating a quick turnaround. Fighting through three recessions taught us that complacency is the

enemy, and a head-down focus on the objective — keeping our buildings occupied — will help us outperform our markets.

The ability to outperform our competition is particularly important now. It is why shareholders have placed their hard-earned dollars with us.

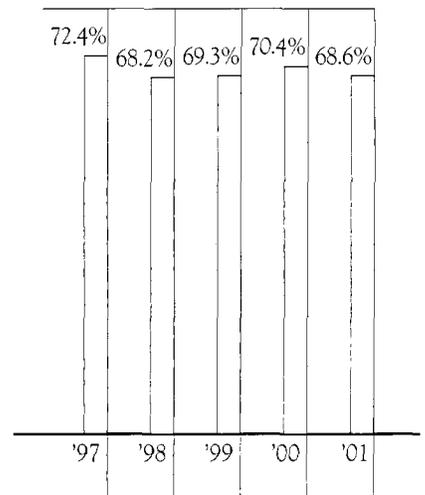
Stability and strength

The value of our operating strategy, to create stability through diversification of product and markets, is reflected in our performance. The diversity of our portfolio, our markets, and our tenants, supported by our conservative financial policy, provides us with a very strong platform.

Our focus on both office and industrial properties lends stability to the portfolio. Industrial markets typically experience less stress than office markets during recessions, and this recession is no different — our industrial portfolio was over 95% leased at year-end. Office properties, on the other hand, tend to be more prone to occupancy declines than industrial, but offer the opportunity for greater rent increases. Although our office occupancy declined significantly during 2001, to just under 92%, increases in rents on new and renewal leases in the office portfolio provided the strong growth in our core portfolio for the year.

We operate in diverse and resilient markets — though currently soft, our markets have not experienced the severe declines that took place in many of the nation's "hot" markets. Generally, our markets outperformed the national real estate markets, and Liberty outperformed our markets. How? Intense focus on the customer.

Payout Ratio



When market occupancies are declining and tenants have more choices, customer service is more important than ever. In the past two years, Liberty has invested heavily in new approaches to customer service, programs to standardize service levels throughout our portfolio, and benchmarking performance levels to determine areas for future focus. These initiatives have led to Liberty receiving top honors in the 2001 National Commercial Real Estate Customer Service Awards Program, for the highest level of tenant satisfaction. But more importantly, this performance has allowed us to continue to widen the gap between market occupancy and our portfolio's occupancy.

Investing in our people

The most prudent investment Liberty can make is in our people. It's a cliché for companies to say their people are their greatest asset, but we truly believe that in the real estate business, the key to success is people.

About two years ago, we embarked on a plan to invest even more significantly in Liberty employees. We recognized that Liberty is a growing company whose future depends on the quality of our people and our management. We needed to continue to create opportunities for our people to grow within the organization, enhance their skills and give them the opportunity to acquire additional skills, and bolster our talent by attracting the best people in the industry.

The program is still evolving, but today I am more confident than ever in the ability of our people to drive this company's growth in the future. I am particularly confident given our recent promotion of Bill Hankowsky to president. Since joining Liberty over a year ago, Bill has brought a broad

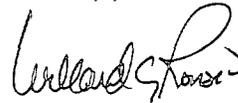
strategic perspective and a keen business eye to our team. Bill, and all of our senior management team, is experienced, talented, honorable, and incredibly focused. Our organization includes the best property managers, tenant service specialists, marketers, managers, administrators, accountants, analysts, and attorneys in real estate today. They have truly been an inspiration to me, personally, as well as catalysts for value creation for shareholders.

Difficult times

More than most years, 2001 brought difficulty and sadness to many people. On a personal note, in the last days of the year I found out that I have lung cancer. I mention this only to thank all those who expressed their concern and to let everyone know that my treatment program has gone very well. The support I've received has been instrumental in helping me achieve those results.

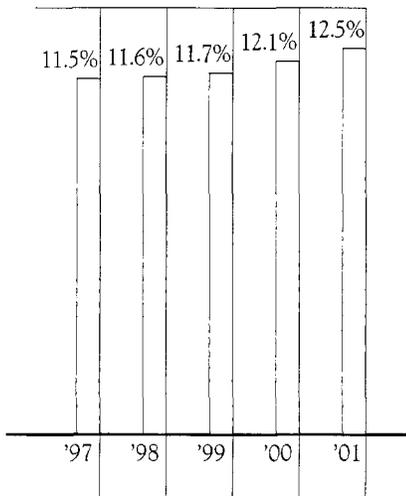
To our employees, our friends, our tenants, and everyone who suffered through so much loss on and after September 11, our hearts go out to you. Our condolences also to the family of Rebecca O'Connell, a great lady who was a member of our Richmond team for more than five years. We mourn her loss to cancer, and remember her courage and spirit.

Sincerely yours,

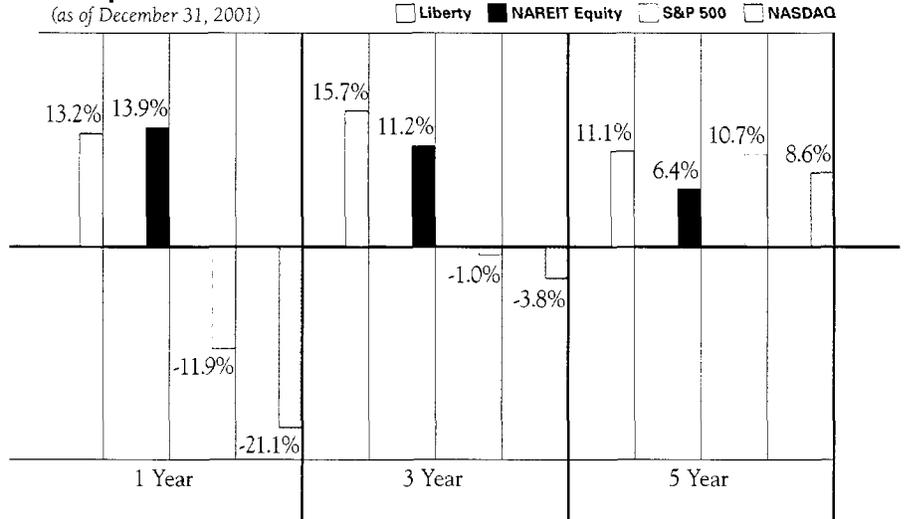


Willard G. Rouse III
Chairman and Chief Executive Officer

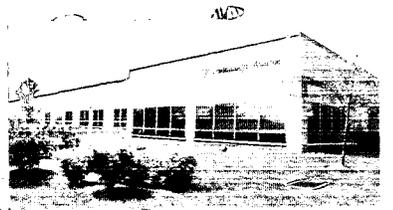
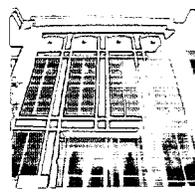
Return on Assets



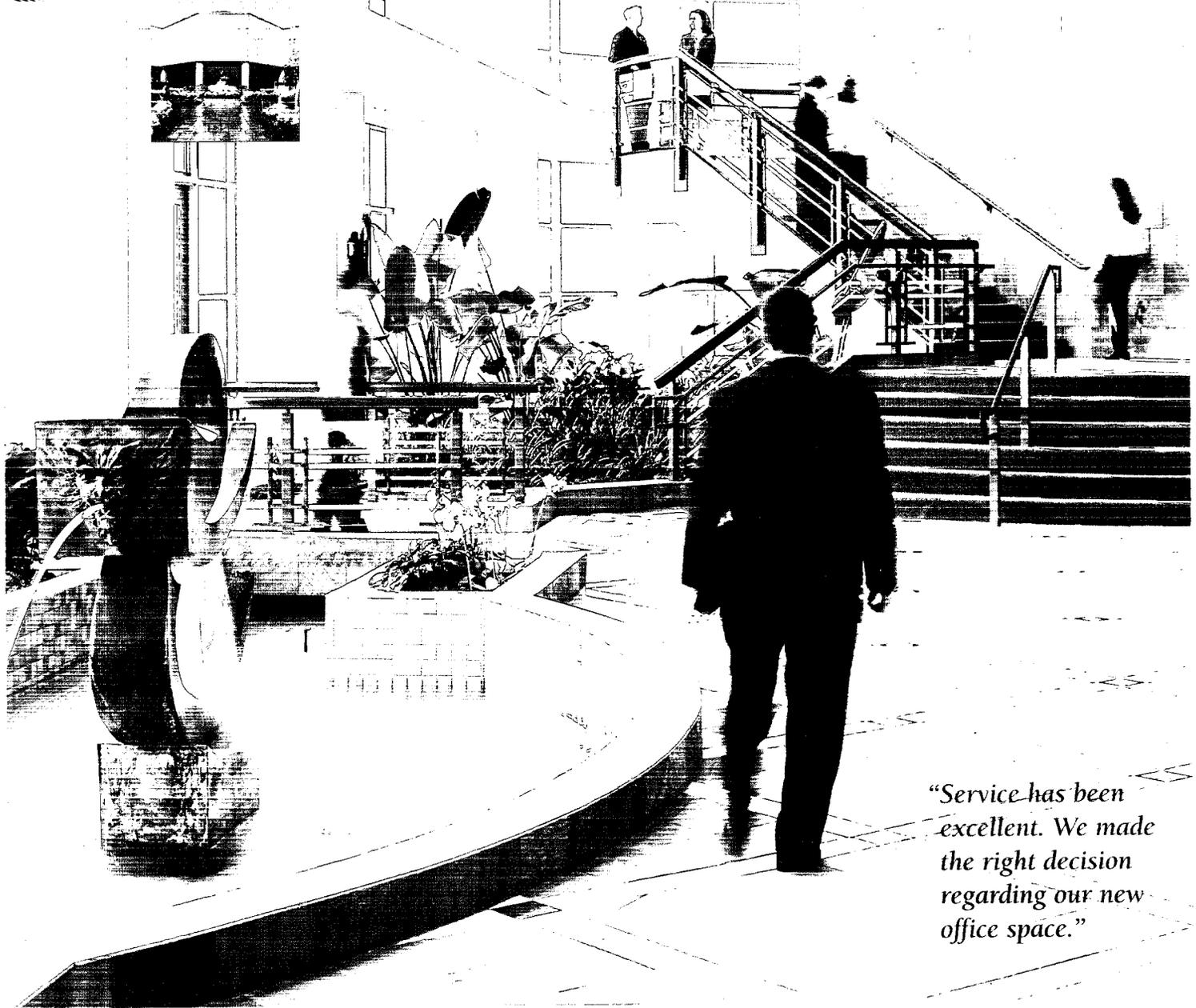
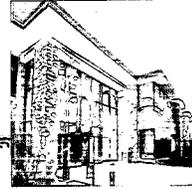
Compound Annual Return



*"The building,
the service, the
environment –
it's all great."*



*"The entire Liberty
staff is extremely
professional,
courteous and
responsive. We
couldn't ask for a
better landlord."*



*"Service has been
excellent. We made
the right decision
regarding our new
office space."*

Liberty Property Trust 2001 Milestones:

February • Liberty completes a 275,000 square foot distribution facility in Romulus, Michigan for Gage Marketing Services.

March • Liberty issues \$250 million of 7.25% senior notes.

April • Standard & Poor's raises its corporate credit rating for Liberty to BBB.

- Liberty's Jacksonville team receives numerous Building Owners and Managers (BOMA) awards for outstanding properties.
- Liberty begins development of a 100,000 square foot distribution facility in New Jersey for Direct Mail and Fulfillment Services.

May • Moody's Investors Service raises its corporate credit rating for LRY to Baa2.

- Liberty announces design of proposed 1.1 million square foot office complex in Philadelphia.
- More than 250 people attend Liberty's annual shareholders' meeting and first annual "state of the real estate industry" panel discussion in Philadelphia.

June • State-of-the-art, 1.1 million square foot distribution facility for TJX Companies is completed in Philadelphia.

July • Fitch Ratings initiates coverage of Liberty, with a BBB rating.

August • Levelor decides to locate a new call center operation at Liberty's Mendenhall at Piedmont Centre in High Point, North Carolina.

September • Liberty raises its dividend on common shares by 3.5%.

- Cendant Mortgage Corporation chooses Liberty to develop a 175,000 square foot office facility in Mt. Laurel, New Jersey.
- Liberty I in Milwaukee, Wisconsin is named BOMA's building of the year.

October • Liberty C.A.R.E.S customer service initiative is launched, with a multi-point operating program for ensuring customer satisfaction across all regions of the country.

- Daniel Garton, Executive Vice President of Customer Service for American Airlines, joins Liberty's board of trustees.

- David Jellison, head of Liberty's Minnesota operation, takes the helm as Chairman of the National Association of Office and Industrial Parks.

November • Liberty is chosen by PPE&L Corporation to develop its new corporate headquarters in Allentown, Pennsylvania.

- Liberty's Philadelphia team receives numerous BOMA awards for property excellence.

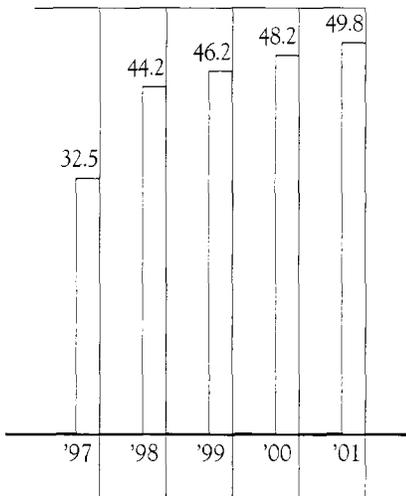
- The Minnesota team receives the Commuter's Choice award for promoting the use of transportation alternatives to reduce congestion and pollution.

December • Liberty sells its Charleston, South Carolina portfolio of properties for \$74 million.

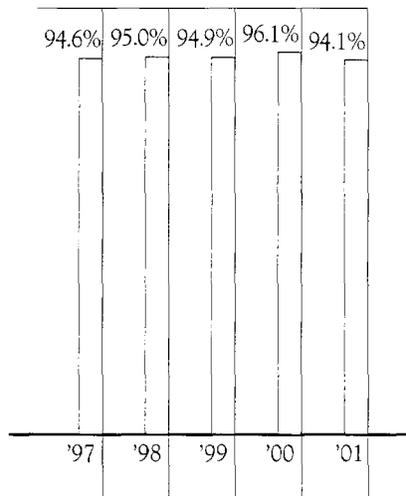
- Construction begins on a 197,000 square foot build-to-suit office project in King of Prussia, Pennsylvania for GlaxoSmithKline.

- The Lehigh Valley, Pennsylvania team leases 700,000 square feet of space in development properties.

Square Feet
(in millions)



Occupancy



Our Largest Tenants

- The Vanguard Group
- Aetna US Healthcare
- PNC Bank
- Capital One Services
- United States Government
- TJX Companies
- Vistakon Division of Johnson & Johnson
- Express Scripts
- Kellogg USA
- General Motors
- Acceptance Corporation



*"Liberty Property
Trust does a superb
job for their tenants
as well as many
things for the good
of the community!"*

*"Liberty does a
wonderful job.
They are the best
in the business."*

*"There is an obvious
commitment to
service that includes
just the right
personal touch."*

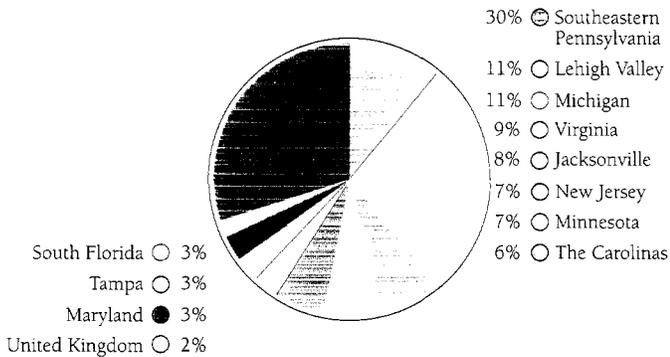
Portfolio

As of December 31, 2001, Liberty's portfolio consisted of 645 industrial and office properties. Liberty also had 43 properties under development.

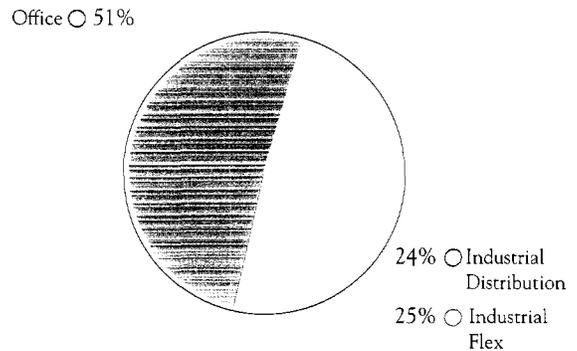
Liberty's industrial properties are comprised of distribution facilities providing for the warehousing and distribution of products, and flex properties which allow for a variety of warehouse, distribution, service, assembly, light manufacturing and research and development activities. The office properties are multi-story and single-story buildings located in prime business locations. The majority of Liberty's properties are located in mixed-use or office parks, including:

Pompano Business Park Pompano Beach, FL 492,000 square feet	Madison Heights Business Park Madison Heights, MI 677,000 square feet	Green Point Business Park High Point, NC 246,000 square feet	Pennsylvania Business Campus Horsham, PA 2,400,000 square feet
Huntington Business Center Miramar, FL 396,000 square feet	Maple Research Park Troy, MI 281,000 square feet	Mendenhall Business Park High Point, NC 451,000 square feet	Renaissance Park King of Prussia, PA 983,000 square feet
Center Pointe Business Park Jacksonville, FL 580,000 square feet	Technology Park Farmington Hills, MI 224,000 square feet	Federal Ridge High Point, NC 425,000 square feet	Independence Corporate Park Greenville, SC 161,000 square feet
Deerwood Center Jacksonville, FL 641,000 square feet	Troy Industrial Parks Troy, MI 617,000 square feet	Eagle Hill Business Park High Point, NC 271,000 square feet	Liberty Square Greenville, SC 421,000 square feet
Liberty Business Park Jacksonville, FL 482,000 square feet	West Technology Park Farmington Hills, MI 291,000 square feet	The Boulders Rock Creek, NC 303,000 square feet	Eastport Center Richmond, VA 790,000 square feet
Cypress Park Orlando, FL 364,000 square feet	Flying Cloud Corporate Campus Eden Prairie, MN 196,000 square feet	Masco Park High Point, NC 345,000 square feet	Fairgrounds Distribution Center Richmond, VA 2,156,000 square feet
Orlando Central Park Orlando, FL 340,000 square feet	Northwest Business Campus Plymouth, MN 174,000 square feet	Boulder Business Center Allentown, PA 2,600,000 square feet	Innsbrook Corporate Center Richmond, VA 507,000 square feet
Northport Tampa, FL 128,000 square feet	Shady Oaks Business Center Eden Prairie, MN 304,000 square feet	Lehigh Valley Corporate Center Bethlehem, PA 600,000 square feet	River's Bend Business Center Richmond, VA 797,000 square feet
Silo Bend Tampa, FL 342,000 square feet	3M Corridor Moorestown - Mt. Laurel - Marlton, NJ 1,895,000 square feet	Lehigh Valley Industrial Park Allentown - Bethlehem, PA 1,300,000 square feet	Liberty Executive Park Chesapeake, VA 150,000 square feet
Woodland Corporate Center Tampa, FL 794,000 square feet	Commodore Business Center Bridgeport, NJ 862,000 square feet	Meadows Business Center Allentown, PA 737,000 square feet	Reflections Office Park Virginia Beach, VA 200,000 square feet
Patuxent Woods Columbia, MD 198,000 square feet	Pureland Industrial Complex Bridgeport, NJ 1,857,000 square feet	Brandywine Business Center West Chester, PA 310,000 square feet	Liberty at Park Place Milwaukee, WI 444,000 square feet
Rivers Business Commons Columbia, MD 102,000 square feet		Great Valley Corporate Center Malvern, PA 2,900,000 square feet	King's Hill United Kingdom 299,000 square feet

Market Diversification (by base rent)



Building Type (by base rent)



Financial Contents

Selected Financial Data	10
Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Consolidated Balance Sheets	14
Consolidated Statements of Operations	20
Consolidated Statements of Shareholders' Equity	21
Consolidated Statements of Cash Flows	22
Notes to Consolidated Financial Statements	23
Management's Discussion of Financial Reporting Responsibility	34
Report of Independent Auditors	35
Market for Registrant's Common Equity and Related Shareholders' Matters	35
Corporate Information	36

Selected Financial Data

The following table sets forth Selected Financial Data for Liberty Property Trust as of and for the years ended December 31, 2001, 2000, 1999, 1998, and 1997. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto appearing elsewhere in this report. Certain amounts from prior years have been reclassified to conform to current-year presentation.

Liberty Property Trust

Year Ended December 31,

<i>(In thousands, except per share amounts)</i>	2001	2000	1999	1998	1997
Operating Data					
Total revenue	\$587,165	\$532,963	\$472,498	\$388,378	\$229,999
Rental and real estate tax expense	167,888	148,739	129,439	108,345	61,079
Interest expense	112,006	108,295	99,663	78,617	51,067
General and administrative expenses	21,052	19,260	16,127	15,522	10,650
Depreciation and amortization	102,626	93,472	84,464	67,932	40,752
Income before property dispositions, extraordinary item and minority interest	183,593	163,197	142,805	117,962	66,451
Gain (loss) on property dispositions	2,115	18,386	13,188	(1,285)	2,518
Income before extraordinary item and minority interest	185,708	181,583	155,993	116,677	68,969
Extraordinary item - loss on extinguishment of debt	—	2,103	1,145	—	2,919
Income before minority interest	185,708	179,480	154,848	116,677	66,050
Minority interest	19,171	20,209	13,524	8,062	5,606
Net income	166,537	159,271	141,324	108,615	60,444
Preferred share distributions	11,000	11,000	11,000	11,000	4,247
Income available to common shareholders	\$155,537	\$148,271	\$130,324	\$ 97,615	\$ 56,197
Distributions paid on common shares and units	\$171,513	\$153,657	\$133,387	\$109,361	\$ 70,615
Distributions paid on preferred shares and units	\$ 21,613	\$ 21,070	\$ 14,784	\$ 11,000	\$ 2,414
Per Share Data					
Earnings per share					
Basic:					
Income per common share before extraordinary item	\$ 2.19	\$ 2.23	\$ 1.98	\$ 1.60	\$ 1.45
Extraordinary item	\$ —	\$ (0.03)	\$ (0.02)	\$ —	\$ (0.06)
Income per common share	\$ 2.19	\$ 2.20	\$ 1.96	\$ 1.60	\$ 1.39
Diluted:					
Income per common share before extraordinary item	\$ 2.15	\$ 2.20	\$ 1.97	\$ 1.59	\$ 1.44
Extraordinary item	\$ —	\$ (0.03)	\$ (0.02)	\$ —	\$ (0.06)
Income per common share	\$ 2.15	\$ 2.17	\$ 1.95	\$ 1.59	\$ 1.38
Distributions paid per common share	\$ 2.30	\$ 2.13	\$ 1.87	\$ 1.71	\$ 1.65
Distributions paid per preferred share	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 0.48
Weighted average number of shares outstanding - basic ⁽¹⁾	71,184	67,442	66,495	61,036	40,493
Weighted average number of shares outstanding - diluted ⁽²⁾	73,580	68,173	66,727	61,315	40,806

(continued)

Selected Financial Data

continued

Liberty Property Trust

As of and for the year ended December 31,

(Dollars in thousands)	2001	2000	1999	1998	1997
Other Data					
Cash provided by operating activities	\$ 303,697	\$ 240,735	\$ 212,421	\$ 219,223	\$ 136,596
Cash used by investing activities	(233,198)	(308,750)	(238,778)	(839,542)	(864,562)
Cash (used) provided by financing activities	(55,747)	63,589	21,030	579,631	763,433
Funds from operations ⁽³⁾	262,782	234,194	210,982	173,829	102,519
Balance Sheet Data					
Net real estate	\$3,353,933	\$3,208,886	\$2,984,577	\$2,819,119	\$1,956,717
Total assets	3,552,825	3,396,355	3,118,133	2,931,408	2,093,858
Total indebtedness	1,753,131	1,703,896	1,491,238	1,423,843	960,134
Shareholders' equity	1,423,422	1,320,805	1,294,607	1,267,036	955,595
Other Data					
Total leaseable square footage of properties at end of period (in thousands)	49,771	48,216	46,219	44,168	32,453
Number of properties at end of period	645	652	634	608	441
Percentage leased at end of period	94%	96%	95%	95%	95%

(1) Basic weighted average number of shares includes only vested Common Shares outstanding during the year.

(2) Diluted weighted average number of shares outstanding includes the dilutive effect of outstanding options and, for the year ended December 31, 2001, the dilutive effect of Convertible Debentures. For the years ended December 31, 2000, 1999, 1998 and 1997, such number excludes Common Shares issuable upon conversion of the Convertible Debentures, because to do so would have been antidilutive.

(3) "Funds from operations" is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income (computed in accordance with generally accepted accounting principles ("GAAP")), excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Funds from operations does not represent net income or cash flows from operations as defined by GAAP and does not necessarily indicate that cash flows will be sufficient to fund cash needs. It should not be considered as an alternative to net income as an indicator of the Company's operating performance or to cash flows as a measure of liquidity. Funds from operations also does not represent cash flows generated from operating, investing or financing activities as defined by GAAP.

Overview

In 2001, the Company continued to focus on creating value and increasing profitability and cash flow. With respect to its core portfolio of Properties in Operation, the Company endeavors to maintain and increase its occupancy levels while increasing rental rates. The Company pursues development opportunities that it believes will create value and yield high returns. The Company also acquires properties which it believes will provide high returns and create long-term value, and disposes of Properties which no longer fit within the Company's strategic objectives or in situations where it can optimize cash proceeds.

The Company's operating results depend primarily upon income from rental operations. This income is substantially influenced by rental demand for the Properties in Operation. The general slowdown in the economy has negatively affected occupancy rates, primarily in the higher paying office portion of the portfolio. The occupancy rate of the Properties in Operation decreased to 94.1% as of December 31, 2001 from 96.1% as of December 31, 2000, and the occupancy rate of the office portfolio decreased to 91.3% as of December 31, 2001 from 94.2% as of December 31, 2000. Rental operations have been negatively impacted by occupancy declines. This decline is partially offset by rental rate increases the Company has realized on renewal and replacement leases. To the extent this trend continues, the Company may experience little to no increase in Same Store property-level operating income.

The Company also seeks to achieve growth in operating income from its development pipeline activity. The decline in demand for real estate has also impacted the pre-leasing of the Properties Under Development and has resulted in a decrease in the number of development starts during the year ended December 31, 2001. If this trend continues, the contribution to growth in income from Properties Under Development may decline. The Company anticipates that its development efforts in 2002 will be principally focused on build-to-suit development opportunities.

As noted above, the Company also seeks to acquire and dispose of Properties in appropriate circumstances. The Company anticipates that this activity will continue in a manner consistent with the activity in 2001.

Forward-Looking Statements

When used throughout this report, the words "believes," "anticipates," and "expects" and similar expressions are intended to identify forward-looking statements. Such statements indicate that assumptions have been used that are subject to a number of risks and uncertainties which could cause actual financial results or management plans and objectives to differ materially from those projected or expressed herein, including: the effect of national and regional economic conditions; the Company's ability to identify and secure additional properties and sites that meet its criteria for acquisition or development; the availability and cost of capital; and the effect of prevailing market interest rates; and other risks described from time to time in the Company's filings with the Securities and Exchange Commission. Given these uncertainties, readers are cautioned not to place undue reliance on such statements.

Critical Accounting Policies

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The Company bases these estimates, judgments and assumptions on historical experience and on other various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical policies affect its more significant estimates and assumptions used in preparation of its consolidated financial statements.

Capitalized Costs

Expenditures directly related to acquisition, or improvement of real estate, including interest and other costs capitalized during development, are included in net real estate and are stated at cost. The capitalized costs include pre-construction costs essential to the development of the property, development and construction costs, interest costs, real estate taxes, salaries and other costs incurred during the period of development. Expenditures for maintenance and repairs are charged to operations as incurred.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its tenants to make required rental payments.

Impairment of Real Estate

The Company evaluates its real estate investments upon occurrence of significant adverse changes in their operations to assess whether any impairment indicators are present that affect the recovery of the recorded value. If any real estate investment is considered impaired, a loss is provided to reduce the carrying value of the property to its estimated fair value. As of December 31, 2001 and 2000, none of the Company's assets were considered impaired.

Results of Operations

The following discussion is based on the consolidated financial statements of the Company. It compares the results of operations of the Company for the year ended December 31, 2001 with the results of operations of the Company for the year ended December 31, 2000, and the results of operations of the Company for the year ended December 31, 2000 with the results of operations of the Company for the year ended December 31, 1999. As a result of the varying level of development, acquisition and disposition activities by the Company in 2001 and 2000, the overall operating results of the Company during such periods are not directly comparable. However, certain data, including the "Same Store" comparison, do lend themselves to direct comparison.

This information should be read in conjunction with the accompanying consolidated financial statements and notes included elsewhere in this report.

Comparison of Year Ended December 31, 2001 to Year Ended December 31, 2000.

Total revenue (principally rental revenue and operating expense reimbursement) increased to \$587.2 million for the year ended December 31, 2001 from \$533.0 million for the year ended December 31, 2000. This increase was primarily due to the net increased investment in properties developed, acquired, or disposed of during the respective periods.

The following is a summary of the Company's acquisition, development and disposition activity for the years ended December 31, 2001 and 2000:

	2001		2000	
	Number of Buildings	Total Investment ⁽¹⁾ or Proceeds <i>(in millions)</i>	Number of Buildings	Total Investment ⁽¹⁾ or Proceeds <i>(in millions)</i>
Properties owned as of:				
Beginning January 1	652		634	
Acquisitions	4	\$ 36.9	14	\$ 105.2
Completed developments	26	230.3	24	173.5
Dispositions	(37)	(141.2)	(20)	(104.4)
Ending December 31	645		652	

(1) The "Total Investment" for a Property is defined as the Property's purchase price plus closing costs and management's estimate, as determined at the time of acquisition, of the cost of necessary building improvements in the case of acquisitions, or land costs and land and building improvement costs in the case of development projects, and where appropriate, other development costs and carrying costs required to reach rent commencement.

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

Additionally, the Company sold eight parcels of land for approximately \$6.7 million during the year ended December 31, 2001 as compared to 11 parcels of land for approximately \$18.1 million during the year ended December 31, 2000.

The operating expense recovery percentage (the ratio of operating expense reimbursement to rental property expenses and real estate taxes) decreased to 95.7% for the year ended December 31, 2001 from 97.0% for the year ended December 31, 2000, due to the decrease in average occupancy during the year.

Rental property and real estate tax expenses increased to \$167.9 million for the year ended December 31, 2001 from \$148.7 million for the year ended December 31, 2000. This increase is due to the increase in the investment in properties owned during the respective periods. Increases in rental property and real estate tax expense are generally offset by increases in operating expense reimbursements.

Property level operating income for the "Same Store" properties (properties owned since January 1, 2000) increased to \$343.7 million for the year ended December 31, 2001 from \$337.2 million for the year ended December 31, 2000, on a straight line basis (which recognizes rental revenue evenly over the life of the lease), and increased to \$337.6 million for the year ended December 31, 2001 from \$329.0 million for the year ended December 31, 2000, on a cash basis. These increases of 1.9% and 2.6%, respectively, are primarily due to increases in rental rates, partially offset by a decrease in occupancy, primarily in the office portion of the portfolio.

Set forth below is a schedule comparing the property level operating income, on a straight line basis and on a cash basis, for the Same Store properties for the years ended December 31, 2001 and 2000 (in thousands).

	Straight Line Basis		Cash Basis	
	2001	2000	2001	2000
Rental revenue	\$ 349,207	\$ 340,961	\$ 343,075	\$ 332,718
Operating expense:				
Rental property expense	95,862	89,173	95,862	89,173
Real estate taxes	48,339	46,034	48,339	46,034
Operating expense recovery	(138,687)	(131,483)	(138,687)	(131,483)
Unrecovered operating expenses	5,514	3,724	5,514	3,724
Property level operating income	\$ 343,693	\$ 337,237	\$ 337,561	\$ 328,994

General and administrative expenses increased to \$21.1 million for the year ended December 31, 2001 from \$19.3 million for the year ended December 31, 2000. These increases are primarily due to the ongoing funding of initiatives which the Company undertook related to training, internal assurance, property management and marketing.

Depreciation and amortization expenses increased to \$102.6 million for the year ended December 31, 2001 from \$93.5 million for the year ended December 31, 2000. This increase is due to the increase in the investment in properties owned during the respective periods.

Interest expense increased to \$112.0 million for the year ended December 31, 2001 from \$108.3 million for the year ended December 31, 2000. This increase is due to an increase in the average debt outstanding for the respective periods which was \$1,747.9 million in 2001 and \$1,589.8 million in 2000. This increase was partially offset due to a decrease in the weighted average interest rates for the periods, to 7.46% in 2001 from 7.57% in 2000.

Costs directly related to the development of rental properties are capitalized. Capitalized development costs include interest, salaries, property taxes, insurance and other directly identifiable costs during the period of development. Capitalized salaries historically represent approximately 1% of the cost of developed properties brought into service. These amounts are not included in general and administrative expenses as discussed above. Capitalized interest for the year ended December 31, 2001 was \$22.3 million as compared to \$17.8 million for the year ended December 31, 2000. These costs are not included in the interest expense as discussed above.

In 2001, the Company realized a gain on property dispositions of \$2.1 million, due to the sale of 37 Properties in Operation, two Properties Under Development and eight parcels of land for an aggregate of \$157.1 million. In 2000, the Company realized a gain on property dispositions of \$18.4 million, due to the sale of 20 Properties in Operation and 11 parcels of land for an aggregate of \$122.5 million.

In 2000, the Company repurchased \$10.9 million principal amount of its Convertible Debentures resulting in the recognition of an extraordinary loss of \$2.1 million. This loss represents the redemption premium and the write-off of related deferred financing costs.

As a result of the foregoing, the Company's income before minority interest increased to \$185.7 million for the year ended December 31, 2001 from \$179.5 million for the year ended December 31, 2000. In addition, net income increased to \$166.5 million for the year ended December 31, 2001 from \$159.3 million for the year ended December 31, 2000.

Comparison of Year Ended December 31, 2000 to Year Ended December 31, 1999.

Total revenue (principally rental revenue and operating expense reimbursement) increased to \$533.0 million for the year ended December 31, 2000 from \$472.5 million for the year ended December 31, 1999. This increase was primarily due to the net increased investment in properties developed, acquired or disposed of during the respective periods.

The following is a summary of the Company's acquisition, development and disposition activity for the years ended December 31, 2000 and 1999:

	2000		1999	
	Number of Buildings	Total Investment or Proceeds (In millions)	Number of Buildings	Total Investment or Proceeds (In millions)
Properties owned as of:				
Beginning January 1	634		608	
Acquisitions	14	\$ 105.2	13	\$ 63.1
Completed Developments	24	173.5	41	285.7
Dispositions	(20)	(104.4)	(28)	(109.9)
Ending December 31	652		634	

Additionally, the Company sold 11 parcels of land for approximately \$18.1 million during the year ended December 31, 2000 as compared to six parcels of land for approximately \$8.8 million during the year ended December 31, 1999.

Furthermore, total revenue increased because the operating expense recovery percentage (the ratio of operating expense reimbursement to rental property expenses and real estate taxes) increased to 97.0% for the year ended December 31, 2000 from 95.5% for the year ended December 31, 1999 due to the increase in average occupancy during the year.

Rental property and real estate tax expenses increased to \$148.7 million for the year ended December 31, 2000 from \$129.4 million for the year ended December 31, 1999. This increase is due to the increase in the investment in properties owned during the respective periods.

Property level operating income for the "Prior Year Same Store" properties (properties owned since January 1, 1999) increased to \$309.2 million for the year ended December 31, 2000 from \$298.5 million for the year ended December 31, 1999 on a straight line basis, (which recognizes rental revenue evenly over the life of the lease), and increased to \$303.0 million for the year ended December 31, 2000 from \$292.3 million for the year ended December 31, 1999, on a cash basis. These increases, each equaling 3.6%, are primarily due to increases in rental rates, and to a modest extent due to increases in occupancy.

Set forth below is a schedule comparing the property level operating income, on a straight line basis and on a cash basis, for the Prior Year Same Store properties for the years ended December 31, 2000 and 1999 (in thousands).

	Straight Line Basis		Cash Basis	
	2000	1999	2000	1999
Rental revenue	\$ 312,856	\$ 302,665	\$ 306,692	\$ 296,521
Operating expense:				
Rental property expense	80,342	77,125	80,342	77,125
Real estate taxes	42,136	37,114	42,136	37,114
Operating expense recovery	(118,787)	(110,064)	(118,787)	(110,064)
Unrecovered operating expenses	3,691	4,175	3,691	4,175
Property level operating income	\$ 309,165	\$ 298,490	\$ 303,001	\$ 292,346

General and administrative expenses increased to \$19.3 million for the year ended December 31, 2000 from \$16.1 million for the year ended December 31, 1999. This \$3.2 million increase is due to the increase in personnel and other related overhead costs necessitated by the increase in the number of Properties in Operation during the respective periods, and the funding of initiatives which the Company undertook related to training, internal assurance, property management and marketing.

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

Depreciation and amortization expenses increased to \$93.5 million for the year ended December 31, 2000 from \$84.5 million for the year ended December 31, 1999. This increase is due to the increase in the investment in properties owned during the respective periods.

Interest expense increased to \$108.3 million for the year ended December 31, 2000 from \$99.7 million for the year ended December 31, 1999. This increase is due to an increase in the average debt outstanding for the respective periods which was \$1,589.8 million in 2000 and \$1,474.6 million in 1999. This increase is also due to an increase in the weighted average interest rates for the periods, to 7.57% in 2000 from 7.33% in 1999.

Costs directly related to the development of rental properties are capitalized. Capitalized development costs include interest, salaries, property taxes, insurance and other directly identifiable costs during the period of development. Capitalized salaries historically represent approximately 1% of the cost of developed properties brought into service. These amounts are not included in general and administrative expenses as discussed above. Capitalized interest for the year ended December 31, 2000 was \$17.8 million as compared to \$15.3 million for the year ended December 31, 1999. These costs are not included in the interest expense as discussed above.

In 2000, the Company realized a gain on property dispositions of \$18.4 million, due to the sale of 20 Properties and 11 parcels of land for an aggregate of \$122.5 million. In 1999, the Company realized a gain on property dispositions of \$13.2 million, due to the sale of 28 Properties and six parcels of land for an aggregate of \$118.7 million.

In 2000, the Company repurchased \$10.9 million principal amount of its Convertible Debentures resulting in the recognition of an extraordinary loss of \$2.1 million. In 1999, the Company repurchased \$6.6 million principal amount of its Convertible Debentures. This resulted in the recognition of an extraordinary loss in 1999 of \$1.1 million. These losses represent the redemption premiums and the write-off of related deferred financing costs.

As a result of the foregoing, the Company's income before minority interest increased to \$179.5 million for the year ended December 31, 2000 from \$154.8 million for the year ended December 31, 1999. In addition, net income increased to \$159.3 million for the year ended December 31, 2000 from \$141.3 million for the year ended December 31, 1999.

Liquidity and Capital Resources

As of December 31, 2001, the Company had cash and cash equivalents of \$19.4 million.

Net cash flow provided by operating activities increased to \$303.7 million for the year ended December 31, 2001 from \$240.7 million for the year ended December 31, 2000. This \$63.0 million increase was primarily due to the utilization in 2001 of escrowed proceeds from prior year property dispositions. These escrows were established in accordance with Section 1031 of the Internal Revenue Code and were reflected in prepaid and other assets at December 31, 2000. Net cash flow provided by operations is the primary source of liquidity to fund distributions to shareholders and for the recurring capital expenditures and leasing transaction costs for the Company's Properties in Operation.

Net cash used in investing activities decreased to \$233.2 million for the year ended December 31, 2001 from \$308.8 million for the year ended December 31, 2000. The primary reason for this \$75.6 million decrease was a decrease in investment in properties and land held for development and an increase in proceeds from dispositions. These amounts were partially offset by an increase in investment in development in progress.

Net cash used by financing activities totaled \$55.7 million as compared to net cash provided by financing activities of \$63.6 million for the year ended December 31, 2000. This \$119.3 million decrease is primarily due to a decrease in proceeds from the Credit Facility (as defined below). Net cash provided by financing activities includes proceeds from the issuance of equity and debt net of debt repayments and shareholder distributions. It is a source of capital utilized by the Company to fund investment activities and the decrease in such funding activities for 2001 is consistent with the decrease in the level of the Company's investment activities as described above.

The Company believes that its undistributed cash flow from operations is adequate to fund its operating needs.

The Company funds its development and acquisitions with long-term capital sources to include proceeds from the disposition of Properties. In 2000, the Company increased its borrowing capacity and obtained a \$450 million unsecured credit facility (the "Credit Facility") replacing a \$325 million credit facility and a \$90 million term loan. The Company uses debt financing to lower its overall cost of capital in an attempt to increase the return to shareholders. The Company staggers its debt maturities and maintains debt levels it considers to be prudent. In determining its debt levels, the Company considers various financial measures to include debt to gross assets and earnings to fixed charges ratios. As of December 31, 2001 the Company's debt to gross assets ratio was 44.3%, and the earnings to fixed charges ratio was 2.54. Debt to gross assets equals total long term debt divided by total assets plus accumulated depreciation. Earnings to fixed charges equals income before extraordinary

item and minority interest plus interest expense divided by interest expense, including capitalized interest, plus distributions on preferred shares and units.

The interest rate on borrowings under the Credit Facility fluctuates based upon ratings from Moody's, S&P and Fitch. During 2001, Standard and Poor's Ratings Group ("S&P") and Moody's Investors Services, Inc. ("Moody's") raised their corporate credit rating for the Company from BBB- to BBB and from Baa3 to Baa2, respectively. In 2001, Fitch, Inc. ("Fitch") initiated coverage on the Company with a BBB senior debt rating. At the Company's current ratings, the interest rate for borrowings under the Credit Facility is 105 basis points over LIBOR.

As of December 31, 2001, \$340.1 million in mortgage loans and \$1,345.0 million in unsecured notes were outstanding with a weighted average interest rate of 7.4%. The interest rates on \$1,669.8 million of mortgage loans and unsecured notes are fixed and range from 6.0% to 8.8%. Interest rates on \$15.3 million of mortgage loans float with the base rate of the respective lending bank or a municipal bond index. The weighted average remaining term for the mortgage loans and unsecured notes is 6.9 years.

In 2002, \$100,000,000 principal amount of 6.6% unsecured notes will mature. The Company anticipates that it will refinance or retire this maturity through available sources of capital.

General

The Company believes that its existing sources of capital will provide sufficient funds to finance its continued development and acquisition activities. The Company's existing sources of capital include the public debt and equity markets, proceeds from Property dispositions and net cash provided from operating activities. Additionally, the Company expects to incur variable rate debt, including borrowings under the Credit Facility from time to time.

In 2001, the Company received approximately \$246.2 million in net proceeds from the issuance of unsecured notes. The Company used the net proceeds to pay down the Credit Facility, which is used to fund development and acquisition activity.

In 2000, the Company received approximately \$19.5 million in net proceeds from the issuance of 9.125% Series C Cumulative Redeemable Preferred Units, and approximately \$197.1 million in net proceeds from the issuance of unsecured notes. The Company used the aggregate net proceeds from the issuance of preferred units and unsecured notes primarily to pay down the Credit Facility, which is used to fund development and acquisition activity.

In October 1999, the Board of Trustees authorized a share repurchase program under which the Company may purchase up to \$100 million of the Company's Common Shares, preferred shares or Convertible Debentures. Through December 31, 2001, the Company purchased 59,100 Common Shares and purchased Convertible Debentures exchangeable into 877,950 Common Shares. The total cost for the purchase of the Common Shares and Convertible Debentures was approximately \$21.9 million.

In July of 2001, the Convertible Debentures matured. Of the remaining \$41.7 million outstanding as of June 30, 2001, \$41.1 million were converted into Common Shares prior to the maturity date at a rate of one common share for each \$20 outstanding, or 2,057,300 Common Shares, and \$597,000 was settled in cash.

In September 2001, the quarterly Common Share dividend was increased to \$0.59 per share from \$0.57 per share. The Company's annual Common Share dividend paid was \$2.30 per share, \$2.13 per share and \$1.87 per share in 2001, 2000 and 1999, respectively. In 2001, the Company's dividend payout ratio was approximately 67% of Funds from operations (as defined below) per share.

The Company has an effective S-3 shelf registration statement on file with the Securities and Exchange Commission (the "Shelf Registration Statement"). As of March 1, 2002, pursuant to the Shelf Registration Statement, the Trust has the capacity to issue up to \$688.4 million in equity securities and the Operating Partnership has the capacity to issue up to \$561.1 million in debt securities.

Related Party Transactions

Pursuant to agreements, the Company has been retained by an affiliate (Rouse Kent Limited) to provide development, management and other services. For the years ended December 31, 2001, 2000, and 1999, the fees for these services were \$600,000 per year. The Company had accounts receivable and a loan receivable from Rouse Kent Limited and affiliates with balances of \$3.8 million and \$17.3 million, respectively, as of December 31, 2001 and \$7.5 million and \$11.9 million, respectively, as of December 31, 2000. The Company has the option to purchase this affiliate for nominal consideration. In addition, the Company has two joint ventures which it fully consolidates. There are no other off balance sheet structures.

Management's Discussion and Analysis of Financial Condition and Results of Operations

continued

Calculation of Funds from Operations

Management generally considers Funds from operations (as defined below) a useful financial performance measure of the operating performance of an equity REIT, because, together with net income and cash flows, Funds from operations provides investors with an additional basis to evaluate the ability of a REIT to incur and service debt and to fund dividends and ongoing capital expenditures. Funds from operations is defined by NAREIT as net income (computed in accordance with generally accepted accounting principles ("GAAP")), excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Funds from operations does not represent net income or cash flows from operations as defined by GAAP and does not necessarily indicate that cash flows will be sufficient to fund cash needs. It should not be considered as an alternative to net income as an indicator of the Company's operating performance or to cash flows as a measure of liquidity. Funds from operations also does not represent cash flows generated from operating, investing or financing activities as defined by GAAP. Funds from operations for the years ended December 31, 2001, 2000 and 1999 are as follows:

(In thousands)	Year Ended December 31,		
	2001	2000	1999
Income available to common shareholders	\$155,537	\$148,271	\$130,324
Adjustments:			
Minority interest less			
preferred unit distributions	8,559	10,139	9,741
Depreciation and amortization	100,801	92,067	82,960
Extraordinary item - loss on extinguishment of debt	—	2,103	1,145
Gain on disposition of property	(2,115)	(18,386)	(13,188)
Funds from operations	\$262,782	\$234,194	\$210,982

Quantitative and Qualitative Disclosures about Market Risk

The following discussion about the Company's risk management includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from the results discussed in the forward-looking statements.

The Company's primary market risk exposure is to changes in interest rates.

The Company is exposed to market risk related to its Credit Facility and certain other indebtedness as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources." The interest on the Credit Facility and such other indebtedness is subject to fluctuations in the market.

The Company also uses long-term and medium-term debt as a source of capital. These debt instruments are typically issued at fixed interest rates. When these debt instruments mature, the Company typically refinances such debt at then-existing market interest rates which may be more or less than the interest rates on the maturing debt. In addition, the Company may attempt to reduce interest rate risk associated with a forecasted issuance of new debt. In order to reduce interest rate risk associated with these transactions, the Company occasionally enters into interest rate protection agreements.

If the interest rates for variable rate debt were 100 basis points higher or lower during 2001, the Company's interest expense would have been increased or decreased by approximately \$600,000. If the interest rate for the fixed rate debt maturing in 2002 was 100 basis points higher or lower than its current rate of 6.6%, the Company's interest expense would be increased or decreased by approximately \$400,000.

Due to the uncertainty of fluctuations in interest rates, the specific actions that might be taken by management to mitigate the impact of such fluctuations and their possible effects, the sensitivity analysis assumes no changes in the Company's financial structure.

Consolidated Balance Sheets

December 31,

(In thousands, except share amounts)

	2001	2000
Assets		
Real estate:		
Land and land improvements	\$ 467,311	\$ 443,057
Buildings and improvements	2,874,903	2,754,356
Less accumulated depreciation	(404,617)	(334,415)
Operating real estate	2,937,597	2,862,998
Development in progress	252,789	208,486
Land held for development	163,547	137,402
Net real estate	3,353,933	3,208,886
Cash and cash equivalents	19,390	4,638
Accounts receivable	15,470	12,624
Deferred financing and leasing costs, net of accumulated amortization (2001 \$60,488; 2000 \$59,071)	68,163	62,871
Prepaid expenses and other assets	95,869	107,336
Total assets	\$3,552,825	\$3,396,355
Liabilities		
Mortgage loans	\$ 340,131	\$ 362,025
Unsecured notes	1,345,000	1,095,000
Credit facility	68,000	176,000
Convertible debentures	—	70,871
Accounts payable	19,057	15,672
Accrued interest	31,392	29,478
Dividend payable	47,577	43,220
Other liabilities	83,852	84,515
Total liabilities	1,935,009	1,876,781
Minority interest	194,394	198,769
Shareholders' Equity		
Series A preferred shares, \$.001 par value, 5,000,000 shares authorized, issued and outstanding as of December 31, 2001 and 2000	120,814	120,814
Common shares of beneficial interest, \$.001 par value, 191,200,000 shares authorized, 73,721,045 (includes 59,100 in treasury) and 68,272,079 (includes 59,100 in treasury) shares issued and outstanding as of December 31, 2001 and 2000, respectively	74	68
Additional paid-in capital	1,336,350	1,223,191
Unearned compensation	(1,056)	(1,690)
Distributions in excess of net income	(31,433)	(20,251)
Common shares in treasury, at cost, 59,100 shares as of December 31, 2001 and 2000	(1,327)	(1,327)
Total shareholders' equity	1,423,422	1,320,805
Total liabilities and shareholders' equity	\$3,552,825	\$3,396,355

See accompanying notes.

Consolidated Statements of Operations

Year Ended December 31,

(In thousands, except per share amounts)

	2001	2000	1999
Revenue			
Rental	\$419,712	\$384,245	\$342,931
Operating expense reimbursement	160,596	144,344	123,591
Interest and other	6,857	4,374	5,976
Total revenue	587,165	532,963	472,498
Expenses			
Rental property	111,310	97,181	87,415
Real estate taxes	56,578	51,558	42,024
Interest	112,006	108,295	99,663
General and administrative	21,052	19,260	16,127
Depreciation and amortization	102,626	93,472	84,464
Total expenses	403,572	369,766	329,693
Income before property dispositions, extraordinary item and minority interest	183,593	163,197	142,805
Gain on property dispositions	2,115	18,386	13,188
Income before extraordinary item and minority interest	185,708	181,583	155,993
Extraordinary item – loss on extinguishment of debt	—	2,103	1,145
Income before minority interest	185,708	179,480	154,848
Minority interest	19,171	20,209	13,524
Net income	166,537	159,271	141,324
Preferred share distributions	11,000	11,000	11,000
Income available to common shareholders	\$155,537	\$148,271	\$130,324
Earnings per share			
Basic:			
Income before extraordinary item	\$ 2.19	\$ 2.23	\$ 1.98
Extraordinary item	—	(0.03)	(0.02)
Income available to common shareholders	\$ 2.19	\$ 2.20	\$ 1.96
Diluted:			
Income before extraordinary item	\$ 2.15	\$ 2.20	\$ 1.97
Extraordinary item	—	(0.03)	(0.02)
Income available to common shareholders	\$ 2.15	\$ 2.17	\$ 1.95
Weighted average number of common shares outstanding			
Basic	71,184	67,442	66,495
Diluted	73,580	68,173	66,727

See accompanying notes.

Consolidated Statements of Shareholders' Equity

<i>(In thousands)</i>	Preferred Shares	Common Shares of Beneficial Interest	Additional Paid-in Capital	Unearned Compensation	Retained Earnings (Distributions in Excess of Net Income)	Common Shares Held in Treasury	Total Shareholders' Equity
Shareholders' equity at January 1, 1999	\$120,814	\$66	\$1,168,663	\$ (562)	\$ (21,945)	\$ —	\$1,267,036
Net proceeds from the issuance of common shares	—	1	8,593	—	—	—	8,594
Conversion of debentures	—	—	10,344	—	—	—	10,344
Unearned compensation	—	—	—	(181)	—	—	(181)
Net income	—	—	—	—	141,324	—	141,324
Distributions on common shares	—	—	—	—	(129,319)	—	(129,319)
Distributions on preferred shares	—	—	—	—	(11,000)	—	(11,000)
Noncash compensation	—	—	2,171	—	—	—	2,171
Minority interest reclassification	—	—	6,965	—	—	—	6,965
Purchase of treasury shares	—	—	—	—	—	(1,327)	(1,327)
Balance at December 31, 1999	120,814	67	1,196,736	(743)	(20,940)	(1,327)	1,294,607
Net proceeds from the issuance of common shares	—	1	12,581	—	—	—	12,582
Conversion of debentures	—	—	2,605	—	—	—	2,605
Unearned compensation	—	—	—	(947)	—	—	(947)
Net income	—	—	—	—	159,271	—	159,271
Distributions on common shares	—	—	—	—	(147,582)	—	(147,582)
Distributions on preferred shares	—	—	—	—	(11,000)	—	(11,000)
Noncash compensation	—	—	3,024	—	—	—	3,024
Minority interest reclassification	—	—	8,245	—	—	—	8,245
Balance at December 31, 2000	120,814	68	1,223,191	(1,690)	(20,251)	(1,327)	1,320,805
Net proceeds from the issuance of common shares	—	6	31,532	—	—	—	31,538
Conversion of debentures	—	—	70,209	—	—	—	70,209
Unearned compensation	—	—	—	634	—	—	634
Net income	—	—	—	—	166,537	—	166,537
Distributions on common shares	—	—	—	—	(166,719)	—	(166,719)
Distributions on preferred shares	—	—	—	—	(11,000)	—	(11,000)
Noncash compensation	—	—	1,488	—	—	—	1,488
Minority interest reclassification	—	—	9,930	—	—	—	9,930
Balance at December 31, 2001	\$120,814	\$74	\$1,336,350	\$(1,056)	\$ (31,433)	\$(1,327)	\$1,423,422

See accompanying notes.

Consolidated Statements of Cash Flows

Year Ended December 31,

(In thousands)

	2001	2000	1999
Operating Activities			
Net income	\$ 166,537	\$ 159,271	\$ 141,324
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	102,626	93,472	84,464
Amortization of deferred financing costs	4,016	3,888	4,951
Minority interest in net income	19,171	20,209	13,524
Gain on property dispositions	(2,115)	(18,386)	(13,188)
Noncash compensation	2,122	2,077	1,990
Changes in operating assets and liabilities:			
Accounts receivable	(2,846)	764	40
Prepaid expenses and other assets	9,550	(44,646)	(20,722)
Accounts payable	3,385	73	(2,654)
Accrued interest	1,914	7,056	4,159
Other liabilities	(663)	16,957	(1,467)
Net cash provided by operating activities	303,697	240,735	212,421
Investing Activities			
Investment in properties	(57,332)	(118,735)	(98,072)
Proceeds from disposition of properties/land	151,604	117,009	114,137
Investment in development in progress	(255,333)	(177,380)	(175,447)
Investment in land held for development	(54,002)	(111,685)	(63,836)
Increase in deferred leasing costs	(18,135)	(17,959)	(15,560)
Net cash used in investing activities	(233,198)	(308,750)	(238,778)
Financing Activities			
Net proceeds from issuance of common shares	31,538	12,582	8,594
Net proceeds from issuance of preferred units	—	19,461	93,055
Purchase of treasury shares	—	—	(1,327)
Retirement of convertible debentures	(597)	(10,914)	(6,645)
Proceeds from issuance of unsecured notes	250,000	200,000	385,000
Repayments of unsecured notes	—	(90,000)	(45,000)
Repayments of mortgage loans	(31,782)	(15,218)	(42,217)
Proceeds from credit facility	305,200	541,000	162,024
Repayments on credit facility	(413,200)	(412,000)	(379,024)
Increase in deferred financing costs	(3,758)	(6,592)	(5,220)
Distributions paid on common shares	(162,118)	(143,560)	(124,033)
Distributions paid on preferred shares	(11,000)	(11,000)	(11,000)
Distributions paid on units	(20,030)	(20,170)	(13,177)
Net cash (used) provided by financing activities	(55,747)	63,589	21,030
Increase (decrease) in cash and cash equivalents	14,752	(4,426)	(5,327)
Cash and cash equivalents at beginning of year	4,638	9,064	14,391
Cash and cash equivalents at end of year	\$ 19,390	\$ 4,638	\$ 9,064
Supplemental Disclosure of Noncash Transactions			
Write-off of fully depreciated property and deferred costs	\$ 33,567	\$ 31,021	\$ 18,527
Acquisition of properties	(9,888)	(2,419)	(3,818)
Assumption of mortgage loans	9,888	2,419	3,818
Conversion of convertible debentures	70,209	2,605	10,344

See accompanying notes.

Notes to Consolidated Financial Statements

1. Organization

Liberty Property Trust (the "Trust") is a self-administered and self-managed Maryland real estate investment trust (a "REIT"). Substantially all of the Trust's assets are owned directly or indirectly, and substantially all of the Trust's operations are conducted directly or indirectly, by its subsidiary, Liberty Property Limited Partnership, a Pennsylvania limited partnership (the "Operating Partnership" and, together with the Trust and its consolidated subsidiaries, the "Company"). The Trust is the sole general partner and also a limited partner of the Operating Partnership, owning 94.9% of the common equity of the Operating Partnership at December 31, 2001. The Company provides leasing, property management, development, acquisition, and other tenant-related services for a portfolio of industrial and office properties which are located principally within the Southeastern, Mid-Atlantic and Midwestern United States.

2. Summary of Significant Accounting Policies*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Principles of Consolidation

The Consolidated Financial Statements of the Company include the accounts of the Trust, the Operating Partnership, the Operating Partnership's consolidated subsidiaries and consolidated joint ventures. All significant intercompany transactions and accounts have been eliminated.

Reclassifications

Certain amounts from prior years have been restated to conform to current-year presentation.

Real Estate and Depreciation

The Properties are recorded at the lower of cost or fair value if impaired and are depreciated using the straight line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings and improvements	40 years
Equipment	5-10 years
Tenant improvements	Term of the related lease

Expenditures directly related to acquisition, or improvement of real estate, including interest and other costs capitalized during development, are included in net real estate and are stated at cost. The capitalized costs include pre-construction costs essential to the development of the property, development and construction costs, interest costs, real estate taxes, salaries and other costs incurred during the period of development. Expenditures for maintenance and repairs are charged to operations as incurred.

The Company evaluates its real estate investments upon occurrence of significant adverse changes in their operations to assess whether any impairment indicators are present that affect the recovery of the recorded value. If any real estate investment is considered impaired, a loss is provided to reduce the carrying value of the property to its estimated fair value. As of December 31, 2001 and 2000, none of the Company's assets were considered impaired.

Cash and Cash Equivalents

Highly liquid investments with a maturity of three months or less when purchased are classified as cash equivalents. The carrying amount of these assets approximates their fair market value.

Revenues

The Company earns rental income under operating leases with tenants. Rental income is recognized on a straight line basis over the applicable lease term.

Deferred Financing and Leasing Costs

Costs incurred in connection with financing or leasing are capitalized and amortized over the term of the related loan or lease. Deferred financing cost amortization is reported as interest expense.

Notes to Consolidated Financial Statements

continued

Income per Common Share

The following table sets forth the computation of basic and diluted income per common share (in thousands, except per share amounts):

	For the Year Ended December 31, 2001			For the Year Ended December 31, 2000			For the Year Ended December 31, 1999		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
Net income	\$166,537			\$159,271			\$141,324		
Less: preferred dividends	(11,000)			(11,000)			(11,000)		
Basic income per common share									
Income available to common shareholders	155,537	71,184	\$2.19	148,271	67,442	\$2.20	130,324	66,495	\$1.96
Dilutive shares for long-term compensation plans	—	1,062		—	731		—	232	
Convertible debentures	2,587	1,334		—	—		—	—	
Diluted income per common share									
Income available to common shareholders and assumed conversions	\$158,124	73,580	\$2.15	\$148,271	68,173	\$2.17	\$130,324	66,727	\$1.95

Basic income per common share for the years ended December 31, 2001, 2000 and 1999, would be \$2.20, \$2.19 and \$1.96 calculated as if the debenture conversions which occurred in 2001, 2000 and 1999 had occurred on January 1, 2001, 2000 and 1999, respectively.

Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). As a result, the Company generally is not subject to federal income taxation at the corporate level to the extent it distributes annually at least 90% of its REIT taxable income (95% for the years prior to January 1, 2001), as defined in the Code, to its shareholders and satisfies certain other requirements. The Company has met these requirements and, accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements.

The Company is subject to certain state and local income, excise and franchise taxes. The provision for such taxes has been reflected in general and administrative expense in the consolidated statements of operations and has not been separately stated since it is not material.

The Federal tax cost basis of the real estate at December 31, 2001 was approximately \$3.6 billion.

Impact of Recently-Issued Accounting Standards

On June 29, 2001 the FASB issued Statement No. 141, "Business Combinations", which became effective for all business combinations initiated after June 30, 2001. In addition Statement No. 142, "Goodwill and Other Intangible Assets", was issued, which became effective January 1, 2002. The Company does not anticipate that these standards will have a material effect on its results of operations or financial position.

In October of 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This Statement addresses the financial accounting and reporting of long-lived assets and for the disposition of long-lived assets. The provisions of this Statement are effective for fiscal years beginning after December 15, 2001. The Company does not anticipate that the adoption of this standard will have a material effect on its results of operations or financial position.

3. Real Estate

At December 31, 2001 and 2000, the Company owned and operated industrial and office properties located principally in suburban mixed-use developments or business parks. The carrying value of these properties by type is as follows (in thousands):

	Land and Land Improvements	Buildings and Improvements	Total	Accumulated Depreciation
2001:				
Industrial properties	\$ 235,053	\$1,343,690	\$1,578,743	\$ 191,509
Office properties	232,258	1,531,213	1,763,471	213,108
2001 Total	\$ 467,311	\$2,874,903	\$3,342,214	\$ 404,617
2000:				
Industrial properties	\$ 220,406	\$1,277,797	\$1,498,203	\$ 161,931
Office properties	222,651	1,476,559	1,699,210	172,484
2000 Total	\$ 443,057	\$2,754,356	\$3,197,413	\$ 334,415

Depreciation expense was \$88.2 million in 2001, \$82.2 million in 2000, and \$74.8 million in 1999.

As of December 31, 2001, the Company has commenced development on 43 properties, which upon completion are expected to comprise approximately 3.6 million square feet of leaseable space. As of December 31, 2001, approximately \$252.8 million has been expended for the development of these projects and an additional \$135.4 million is required for completion.

4. Related Party Transactions

Pursuant to agreements, the Company has been retained by an affiliate (Rouse Kent Limited) to provide development, management and other services. For the years ended December 31, 2001, 2000, and 1999, the fees for these services were \$600,000 per year. The Company had accounts receivable and a loan receivable from Rouse Kent Limited and affiliates with balances of \$3.8 million and \$17.3 million, respectively, as of December 31, 2001 and \$7.5 million and \$11.9 million, respectively, as of December 31, 2000. The Company has the option to purchase this affiliate for nominal consideration.

5. Indebtedness

Indebtedness consists generally of mortgage loans, unsecured notes, the Credit Facility, as defined below, and convertible debentures (which matured in 2001). The weighted average interest rates for the years ended December 31, 2001, 2000, and 1999, were approximately 7.5%, 7.6%, and 7.3%, respectively. Interest expense for the years ended December 31, 2001, 2000, and 1999, aggregated \$112.0 million, \$108.3 million, and \$99.7 million, respectively. Interest costs during these periods of \$22.3 million, \$17.8 million, and \$15.3 million, respectively, were capitalized. Cash paid for interest for the years ended December 31, 2001, 2000, and 1999, was \$128.4 million, \$115.1 million, and \$105.8 million, respectively. Some of the debt agreements are subject to financial covenants.

Mortgage Loans, Unsecured Notes

Mortgage loans with maturities ranging from 2002 to 2012 are collateralized by and in some instances cross-collateralized by properties with a book value of \$503.9 million.

Notes to Consolidated Financial Statements

continued

As of December 31, 2001, \$340.1 million in mortgage loans and \$1,345.0 million in unsecured notes were outstanding. The interest rates on \$1,669.8 million of mortgage loans and unsecured notes are fixed and range from 6.0% to 8.8%. Interest rates on \$15.3 million of mortgage loans float with the base rate of the respective lending bank or a municipal bond index. The weighted average remaining term for the mortgage loans and unsecured notes is 6.9 years. The scheduled maturities of principal amortization of the Company's mortgage loans and the unsecured notes outstanding and the related weighted average interest rates are as follows (in thousands):

	Mortgages		Unsecured Notes ⁽¹⁾	Total	Weighted Average Interest Rate
	Principal Amortization	Principal Maturities			
2002	\$ 8,066	\$ —	\$ 100,000	\$ 108,066	6.7%
2003	8,092	26,606	50,000	84,698	7.3%
2004	8,168	25,898	100,000	134,066	6.9%
2005	7,090	115,039	—	122,129	7.6%
2006	5,001	30,079	100,000	135,080	7.2%
2007	4,543	—	100,000	104,543	7.3%
2008	4,238	29,268	—	33,506	7.2%
2009	2,146	42,051	270,000	314,197	7.8%
2010	1,348	—	200,000	201,348	8.5%
2011	1,099	3,533	250,000	254,632	7.3%
2012	192	17,674	—	17,866	7.7%
2013	—	—	75,000	75,000	6.4%
2018	—	—	100,000	100,000	7.5%
	\$49,983	\$290,148	\$1,345,000	\$1,685,131	7.4%

(1) The \$75,000 of unsecured notes due 2013 is payable in 2003.

Credit Facility

The Credit Facility is a \$450 million unsecured credit facility (the "Credit Facility"). The interest rate on borrowings under the Credit Facility fluctuates, based on senior debt ratings from Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("Standard & Poor's") and Fitch, Inc. ("Fitch"). The current ratings for the Company's senior unsecured debt are Baa2, BBB, and BBB from Moody's, Standard & Poor's, and Fitch, respectively. At these ratings, the current interest rate on the Credit Facility is 105 basis points over the LIBOR Rate (3.3% at December 31, 2001). The rate for the Credit Facility at December 31, 2000 was 7.7%. Customary fees apply to the Credit Facility including an annual administrative fee and an unused line fee. The Credit Facility matures on April 25, 2003.

Convertible Debentures

The Convertible Debentures, which matured on July 1, 2001, were exchangeable for Common Shares of beneficial interest of the Trust (the "Common Shares") at a rate of one Common Share for each \$20 outstanding principal amount of Convertible Debentures, subject to certain adjustments. The initial interest rate on the Convertible Debentures was 8.0% and increased with the increases in the distribution payment on the Company's Common Shares. At December 31, 2000, the effective interest rate on the Convertible Debentures was 11.4%.

In October 1999, the Board of Trustees authorized a share repurchase plan under which the Company may purchase up to \$100 million of the Company's Common Shares, preferred shares or Convertible Debentures. There were no repurchases during 2001. In 2000 and 1999, the Company repurchased

\$10.9 million and \$6.6 million principal amount of the Convertible Debentures, respectively. The repurchase of the Convertible Debentures in 2000 and 1999 resulted in the recognition of an extraordinary loss of \$2.1 million and \$1.1 million, respectively. These losses represent the redemption premiums and the write-off of related deferred financing costs. At December 31, 2000, the Convertible Debentures were convertible into 3,543,550 Common Shares.

The fair values of the mortgages, the unsecured notes and Credit Facility were estimated using discounted cash flow analysis, based on the Company's estimated incremental borrowing rate at December 31, 2001, for similar types of borrowing arrangements. The carrying values of the mortgages, the unsecured notes and the Credit Facility approximate their fair values.

6. Leasing Activity

Future minimum rental payments due from tenants under non-cancelable operating leases as of December 31, 2001 are as follows (in thousands):

2002	\$ 388,912
2003	339,337
2004	294,388
2005	237,829
2006	178,661
Thereafter	518,259
Total	\$1,957,386

In addition to minimum rental payments, most leases require the tenants to pay for their pro rata share of specified operating expenses. These payments are included as operating expense reimbursement in the accompanying statements of operations.

7. Shareholders' Equity

Common Shares

The Company paid to holders of Common Shares and holders of Common Units, distributions of \$171.5 million, \$153.7 million, and \$133.4 million, during the years ended December 31, 2001, 2000, and 1999, respectively. On a per share basis, the Company paid Common Share distributions of \$2.30, \$2.13, and \$1.87 during the years ended December 31, 2001, 2000, and 1999, respectively.

For federal income tax purposes, the following table summarizes the portions of the Common Share distributions relating to return of capital, ordinary income, and capital gains:

	2001	2000	1999
Return of capital	—	—	—
Ordinary income	95.0%	99.5%	100.0%
Capital gains	5.0%	.5%	—

The Company's federal income tax returns are subject to examination by taxing authorities. Because the application of tax laws and regulations is susceptible to varying interpretations, the taxability of distributions could be changed at a later date upon final determination by taxing authorities.

Treasury Shares

In October 1999, the Board of Trustees authorized a share repurchase plan under which the Company may purchase up to \$100 million of the Company's Common Shares, Preferred Shares (as defined below) or Convertible Debentures. To date, the Company has repurchased 59,100 of its Common Shares for \$1.3 million.

Preferred Shares

The Series A Cumulative Redeemable Preferred Shares (the "Preferred Shares") are non-voting and have a liquidation preference of \$25.00 per share. On or after July 30, 2002, the Preferred Shares may be redeemed for cash at the option of the Company.

The Company paid preferred share distributions of \$11.0 million for each of the three years ended December 31, 2001, 2000 and 1999. On a per share basis, the Company paid preferred share distributions of \$2.20 for each of the three years ended December 31, 2001, 2000, and 1999.

For federal income tax purposes, the following table summarizes the portions of the preferred shares distributions relating to return of capital, ordinary income and capital gains:

	2001	2000	1999
Return of capital	—	—	—
Ordinary income	95.1%	99.5%	100.0%
Capital gains	4.9%	.5%	—

Notes to Consolidated Financial Statements

continued

Minority Interest

Minority interest in the accompanying consolidated financial statements relates to limited partnership interests of the Operating Partnership issued in connection with the formation of the Company, certain subsequent acquisitions, and the sale of preferred units. In addition, minority interest includes a \$6.2 million joint venture investment in the United Kingdom. No common units were issued in connection with acquisitions in 1999, 2000 or 2001. The common limited partnership interests outstanding as of December 31, 2001 have the same economic characteristics as would 3,920,271 Common Shares. The interests in the Limited Partnership share proportionately in the net income or loss and in any distributions of the Operating Partnership and are exchangeable into the same number of Common Shares of the Trust.

On July 28, 1999, the Company issued 3,800,000 Series B Cumulative Redeemable Preferred Units of the Operating Partnership (the "Series B Preferred Units"). The Series B Preferred Units are payable at the rate of 9.25% per annum of the \$25 liquidation preference. On or after July 28, 2004, the Series B Preferred Units may be redeemed for cash at the option of the Company. The Series B Preferred Units are exchangeable on a one-for-one basis at any time on or after July 28, 2009 into Series B Cumulative Redeemable Preferred Shares of the Trust.

On April 18, 2000, the Company issued 800,000 Series C Cumulative Redeemable Preferred Units of the Operating Partnership (the "Series C Preferred Units", and together with the Series B Preferred Units, the "Preferred Units"). The Series C Preferred Units are payable at a rate of 9.125% per annum of the \$25 liquidation preference. On or after April 18, 2005, the Series C Preferred Units may be redeemed for cash at the option of the Company. The Series C Preferred Units are exchangeable on a one-for-one basis at any time on or after April 18, 2010 into Series C Cumulative Redeemable Preferred Shares of the Trust.

The Company paid Preferred Unit distributions of \$10.6 million, \$10.1 million and \$3.8 million during the years ended December 31, 2001, 2000 and 1999, respectively. On a per unit basis, the Company paid Preferred Unit distributions of \$2.31 per unit on the Series B Preferred Units and \$2.28 per unit on the Series C Preferred Units during the year ended December 31, 2001 and \$2.31 per unit on the Series B Preferred Units and \$1.60 per unit on the Series C Preferred Units for the year ended December 31, 2000. During 1999, the Company paid \$1.00 per unit on the Series B Preferred Units.

Shareholder Rights Plan

In December 1997, the Board of Trustees of the Company adopted a shareholder rights plan (the "Shareholder Rights Plan"). Under the Shareholder Rights Plan, one Right (as defined in the Shareholder Rights Plan) was attached to each outstanding Common Share at the close of business on

December 31, 1997. In addition, a Right will be attached to each share of Common Stock issued in the future. Each Right entitles the registered holder to purchase from the Company, under certain conditions, a unit (a "Rights Plan Unit") consisting of one one-thousandth of a share of a Series A Junior Participating Preferred Share, \$0.0001 par value, (the "Junior Preferred Stock"), of the Company, for \$100 per Rights Plan Unit, subject to adjustment. The Rights become exercisable only if a person or group of affiliated or associated persons (an "Acquiring Person") acquires, or obtains the right to acquire, beneficial ownership of Common Shares or other voting securities ("Voting Stock") that have 10% or more of the voting power of the outstanding shares of Voting Stock, or if an Acquiring Person commences to make a tender offer or exchange offer to acquire beneficial ownership of Voting Stock that has 10% or more of the voting power of the outstanding shares of Voting Stock. The Rights are redeemable by the Company at a price of \$0.0001 per Right. If not exercised or redeemed, all Rights will expire on December 31, 2007.

Dividend Reinvestment Plan

The Company has instituted a Dividend Reinvestment and Share Purchase Plan under which holders of Common Shares may elect to automatically reinvest their distributions in additional Common Shares and may make optional cash payments for additional Common Shares. The Company may issue additional Common Shares or repurchase Common Shares in the open market for purposes of financing its obligations under the Dividend Reinvestment and Share Purchase Plan. During the years ended December 31, 2001, 2000, and 1999, 482,822, 330,612, and 367,263 Common Shares, respectively, were issued through the Dividend Reinvestment and Share Purchase Plan.

8. Share Options

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation," requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Under FASB Statement No. 123, the Company would recognize compensation expense equal to the value of such options upon grant date.

The Company's Share Incentive Plan ("Share Incentive Plan"), as amended, has authorized the grant of options to executive officers, other key employees, non-employee trustees and consultants of up to 9,926,256 shares of the Company's Common Shares. All options granted have 10-year terms and vest over a 3-year period, with options to purchase up to 20% of the shares exercisable

after the first anniversary, up to 50% after the second anniversary and 100% after the third anniversary of the date of grant.

Pro forma information regarding net income and earnings per share is required by Statement 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000, and 1999:

	2001	2000	1999
Risk-free interest rate	5.0%	6.2%	6.6%
Dividend yield	7.9%	8.0%	8.4%
Volatility factor	.175	.179	.174
Weighted-average expected life	8 years	8 years	8 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee share options have characteristics significantly different from those of traded options, and

because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee share options.

For purposes of pro forma disclosures, the estimated fair value of the options determined according to the Black-Scholes option pricing model is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands, except for per share amounts):

	2001	2000	1999
Pro forma income available to common shareholders	\$153,921	\$146,828	\$129,317
Pro forma income per common share:			
Basic	\$ 2.16	\$ 2.18	\$ 1.94
Diluted	\$ 2.13	\$ 2.15	\$ 1.94

Pro forma disclosures are not likely to be representative of the effects on reported net income for future years because of the staggered vesting periods of the options.

A summary of the Company's share option activity, and related information for the years ended December 31, 2001, 2000, and 1999 follows:

	2001		2000		1999	
	Options (000s)	Weighted Average Exercise Price	Options (000s)	Weighted Average Exercise Price	Options (000s)	Weighted Average Exercise Price
Outstanding - beginning of year	4,799	\$ 22.78	3,536	\$ 22.60	2,745	\$ 22.75
Granted	1,014	26.97	1,522	22.79	920	22.00
Exercised	(855)	21.86	(223)	21.23	(129)	21.56
Forfeited	(11)	22.69	(36)	20.70	-	-
Outstanding - end of year	4,947	\$ 23.86	4,799	\$ 22.78	3,536	\$ 22.60
Exercisable at end of year	3,393	\$ 22.71	2,512	\$ 22.30	1,873	\$ 21.45
Weighted-average fair value of options granted during the year	\$ 1.45		\$ 1.55		\$ 1.37	

Notes to Consolidated Financial Statements

continued

Exercise prices for options outstanding as of December 31, 2001 ranged from \$19.75 to \$29.41. The weighted-average remaining contractual life of those options is 7.2 years.

An additional 3,376,088, 968,676, and 2,580,168 Common Shares were reserved for issuance for future grants from the Share Incentive Plan at December 31, 2001, 2000 and 1999, respectively.

9. Commitments and Contingencies

All of the Properties and land were subject to Phase I Environmental Assessments and when appropriate Phase II Environmental Assessments (collectively, the "Environmental Assessments") obtained in contemplation of their acquisition

by the Company. The Environmental Assessments consisted of, among other activities, a visual inspection of each Property and its neighborhood and a check of pertinent public records. The Environmental Assessments did not reveal, nor is the Company aware of, any non-compliance with environmental laws, environmental liability or other environmental claim that the Company believes would likely have a material adverse effect on the Company.

Although the Company is engaged in litigation incidental to its business, there is no legal proceeding to which it is a party which, in the opinion of management, will materially adversely affect the results of the Company's operations.

10. Quarterly Results of Operations (Unaudited)

The following is a summary of quarterly results of operations for the two years ended December 31, 2001 and 2000 (in thousands, except per share amounts):

	Quarter Ended							
	Dec. 31, 2001	Sept. 30, 2001	June 30, 2001	March 31, 2001	Dec. 31, 2000	Sept. 30, 2000	June 30, 2000	March 31, 2000
Rental revenue	\$106,592	\$105,775	\$104,759	\$102,586	\$100,296	\$97,152	\$94,825	\$ 91,972
Income before extraordinary item and minority interest	45,374	47,089	47,299	45,946	47,195	45,183	45,782	43,423
Extraordinary item - loss on extinguishment of debt	—	—	—	—	—	—	228	1,875
Income before minority interest	45,374	47,089	47,299	45,946	47,195	45,183	45,554	41,548
Income available to common shareholders	37,952	39,564	39,655	38,366	39,230	37,341	37,581	34,119
Income per common share before extraordinary item - basic	\$ 0.52	\$ 0.54	\$ 0.56	\$ 0.56	\$ 0.58	\$ 0.55	\$ 0.56	\$ 0.54
Income per common share before extraordinary item - diluted	\$ 0.51	\$ 0.53	\$ 0.56	\$ 0.55	\$ 0.57	\$ 0.54	\$ 0.55	\$ 0.53

11. Segment Information

The Company operates its portfolio of properties throughout the Southeastern, Mid-Atlantic and Midwestern United States. The Company reviews performance of the portfolio on a geographical basis, as such, the following regions are considered the Company's reportable segments: Southeastern Pennsylvania; New Jersey; Lehigh Valley, Pennsylvania; Virginia; the Carolinas; Jacksonville, Florida; Minneapolis, Minnesota; Detroit, Michigan; and all others combined (including Maryland; Tampa, Florida; South Florida; and the United Kingdom). The Company's reportable segments are distinct business units which are each managed separately in order to concentrate market knowledge within a geographical area. Within these reportable segments, the Company derives its revenues from its two product types: industrial properties and office properties.

The Company evaluates performance of the reportable segments based on property-level net operating income, which is calculated as rental revenue and operating expense reimbursement less rental property expenses and real estate taxes. The accounting policies of the reportable segments are the same as those for the Company on a consolidated basis. The operating information by segment is as follows (in thousands):

For the Year Ended December 31, 2001										
	Southeastern Pennsylvania	New Jersey	Lehigh Valley	Virginia	The Carolinas	Jacksonville	Minnesota	Michigan	All Others	Total
Real estate-related revenues	\$171,947	\$44,982	\$57,645	\$45,712	\$45,345	\$45,257	\$48,753	\$60,541	\$60,126	\$580,308
Rental property expenses and real estate taxes	49,345	14,353	13,924	11,336	12,721	11,907	18,357	19,622	16,323	167,888
Property-level net operating income	122,602	30,629	43,721	34,376	32,624	33,350	30,396	40,919	43,803	412,420
Other income/expenses, net										228,827
Income before property dispositions, extraordinary item, and minority interest										183,593
Gain on property dispositions										2,115
Extraordinary item - loss on extinguishment of debt										—
Minority interest										19,171
Preferred distributions										11,000
Income available to common shareholders										\$155,537

Notes to Consolidated Financial Statements

continued

For the Year Ended December 31, 2000										
	Southeastern Pennsylvania	New Jersey	Lehigh Valley	Virginia	The Carolinas	Jacksonville	Minnesota	Michigan	All Others	Total
Real estate- related revenues	\$147,519	\$42,794	\$50,709	\$42,956	\$41,542	\$42,764	\$42,556	\$57,353	\$60,396	\$528,589
Rental property expenses and real estate taxes	40,954	13,132	11,041	9,674	11,391	10,487	16,339	19,710	16,011	148,739
Property-level net operating income	106,565	29,662	39,668	33,282	30,151	32,277	26,217	37,643	44,385	379,850
Other income/expenses, net										216,653
Income before property dispositions, extraordinary item, and minority interest										163,197
Gain on property dispositions										18,386
Extraordinary item – loss on extinguishment of debt										2,103
Minority interest										20,209
Preferred distributions										11,000
Income available to common shareholders										\$148,271

For the Year Ended December 31, 1999										
	Southeastern Pennsylvania	New Jersey	Lehigh Valley	Virginia	The Carolinas	Jacksonville	Minnesota	Michigan	All Others	Total
Real estate- related revenues	\$121,060	\$42,604	\$44,346	\$40,114	\$37,810	\$40,979	\$34,286	\$50,806	\$54,517	\$466,522
Rental property expenses and real estate taxes	33,688	12,811	9,588	8,368	11,341	9,968	12,110	17,166	14,399	129,439
Property-level net operating income	87,372	29,793	34,758	31,746	26,469	31,011	22,176	33,640	40,118	337,083
Other income/expenses, net										194,278
Income before property dispositions, extraordinary item, and minority interest										142,805
Gain on property dispositions										13,188
Extraordinary item – loss on extinguishment of debt										1,145
Minority interest										13,524
Preferred distributions										11,000
Income available to common shareholders										\$130,324

Revenues	Year Ended December 31,		
	2001	2000	1999
Total real estate-related revenues for reportable segments	\$580,308	\$528,589	\$466,522
Interest and other	6,857	4,374	5,976
Total revenues	\$587,165	\$532,963	\$472,498

Product Type Information – Real Estate-Related Revenues	Year Ended December 31,		
	2001	2000	1999
Industrial	\$260,232	\$239,384	\$225,988
Office	320,076	289,205	240,534
Total real estate-related revenues	\$580,308	\$528,589	\$466,522

Rollforward of Operating Real Estate Assets by Reportable Segment										
	Southeastern Pennsylvania	New Jersey	Lehigh Valley	Virginia	The Carolinas	Jacksonville	Minnesota	Michigan	All Others	Total
January 1, 2001	\$819,122	\$252,953	\$291,242	\$303,036	\$269,496	\$302,523	\$236,212	\$354,120	\$368,709	\$3,197,413
Additions	93,719	12,761	32,078	32,500	8,778	13,040	26,451	48,045	27,072	294,444
Dispositions	(2,776)	(15,704)	(2,837)	(6,867)	(78,290)	(16,900)	—	—	(26,269)	(149,643)
December 31, 2001	\$910,065	\$250,010	\$320,483	\$328,669	\$199,984	\$298,663	\$262,663	\$402,165	\$369,512	\$3,342,214
Accumulated depreciation										(404,617)
Development in progress										252,789
Land held for development										163,547
Other assets										198,892
Total assets										
December 31, 2001										\$3,552,825

Rollforward of Operating Real Estate Assets by Reportable Segment										
	Southeastern Pennsylvania	New Jersey	Lehigh Valley	Virginia	The Carolinas	Jacksonville	Minnesota	Michigan	All Others	Total
January 1, 2000	\$733,465	\$262,102	\$271,606	\$301,997	\$250,708	\$273,763	\$213,276	\$333,866	\$363,897	\$3,004,680
Additions	111,752	3,841	19,636	18,531	24,797	28,760	22,936	29,521	32,289	292,063
Dispositions	(26,095)	(12,990)	—	(17,492)	(6,009)	—	—	(9,267)	(27,477)	(99,330)
December 31, 2000	\$819,122	\$252,953	\$291,242	\$303,036	\$269,496	\$302,523	\$236,212	\$354,120	\$368,709	\$3,197,413
Accumulated depreciation										(334,415)
Development in progress										208,486
Land held for development										137,402
Other assets										187,469
Total assets										
December 31, 2000										\$3,396,355

Management's Discussion of Financial Reporting Responsibility

The financial statements presented in this Annual Report have been prepared with integrity and are the responsibility of the management of Liberty Property Trust. These financial statements are prepared in conformity with accounting principles generally accepted in the United States and properly reflect certain estimates and judgments based upon the best available information. Management also prepared the other information in the Annual Report and is responsible for its accuracy and consistency with the consolidated financial statements.

The Company's system of internal controls is designed to provide reasonable assurance as to the proper authorization of transactions, the safeguarding of Company assets and the accuracy and reliability of the financial records. This system is reviewed and modified in response to changing business conditions and operations, and as a result of recommendations by the external and internal auditors. In addition, the Company has distributed to its employees its policies for conducting business affairs in a lawful and ethical manner.

The accounting firm of Ernst & Young LLP has performed an independent audit of the Company's financial statements. Their audit was performed in accordance with auditing standards generally accepted in the United States. Management believes that all representations made to Ernst & Young LLP during its audit were valid and appropriate.

The adequacy of the Company's internal controls and the accounting principles employed in financial reporting are under the general oversight of the Audit Committee of the Board of Trustees. The Audit Committee, consisting solely of outside Trustees, meets periodically with the external auditors, the internal auditors and representatives of management to discuss auditing and financial reporting matters. The external auditors and the internal auditors also have full and free access to meet privately with the Audit Committee.



Willard G. Rouse III
Chairman of the Board of Trustees and Chief Executive Officer



George J. Alburger, Jr.
Executive Vice President and Chief Financial Officer

Report of Independent Auditors

To The Board of Trustees and Shareholders
Liberty Property Trust

We have audited the accompanying consolidated balance sheets of Liberty Property Trust (the "Trust") as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Liberty Property Trust at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Philadelphia, Pennsylvania
February 5, 2002

Market for Registrant's Common Equity and Related Shareholders' Matters

The Common Shares are traded on the New York Stock Exchange under the symbol "LRY." There is no established public trading market for the Common Units. The following table sets forth, for the calendar quarters indicated, the high and low closing prices of the Common Shares on the New York Stock Exchange, and the dividends declared per Common Share for such calendar quarter.

	High	Low	Dividends Declared per Common Share
2001			
First Quarter	\$28.24	\$26.30	\$0.57
Second Quarter	29.86	27.50	0.57
Third Quarter	31.10	27.70	0.59
Fourth Quarter	30.24	25.75	0.59
2000			
First Quarter	\$24.50	\$22.00	\$0.52
Second Quarter	26.94	23.25	0.52
Third Quarter	28.97	26.13	0.57
Fourth Quarter	28.81	25.44	0.57

As of March 1, 2002, the Common Shares were held by 1,296 holders of record. Since its initial public offering, the Company has paid regular and uninterrupted dividends.

Although the Company currently anticipates that comparable cash dividends will continue to be paid in the future, the payment of future dividends by the Company will be at the discretion of the Board of Trustees and will depend on numerous factors including the Company's cash flow, its financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, and such other factors as the Board of Trustees deems relevant.

Corporate Information

Board of Trustees

Willard G. Rouse III
Chairman and
Chief Executive Officer
Liberty Property Trust

Joseph P. Denny
Vice Chairman
Liberty Property Trust

Frederick F. Buchholz
Executive Vice President
Lend Lease Real Estate
Investments (retired)

Thomas C. DeLoach, Jr.
Executive Vice President
Mobil Oil Corporation (retired)

Daniel P. Garton
Executive Vice President –
Customer Service
AMR Corporation

J. Anthony Hayden
President
Coldwell Banker Commercial
Hayden Real Estate, Inc.

M. Leanne Lachman
Principal
Lend Lease Real Estate Investments

David L. Lingerfelt
Vice President and
Commercial Counsel
LandAmerica Financial Group, Inc.

John A. Miller
Chairman and
Chief Executive Officer
Provident Mutual Life Insurance
Company of Philadelphia (retired)

Stephen B. Siegel
Chairman and
Chief Executive Officer
Insignia /ESG, Inc.

Executive Officers

Willard G. Rouse III
Chairman,
Chief Executive Officer

William P. Hankowsky
President,
Chief Investment Officer

Joseph P. Denny
Vice Chairman

Robert E. Fenza
Executive Vice President,
Chief Operating Officer

George J. Alburger, Jr.
Executive Vice President,
Chief Financial Officer

James J. Bowes
Secretary, General Counsel

Senior Officers

John A. Castorina
Senior Vice President

Craig A. Cope
Vice President, City Manager

John N. DiVall
Vice President, City Manager

James K. Flannery
Vice President, City Manager

Ward J. Fitzgerald
Senior Vice President,
Regional Director

John S. Gattuso
Senior Vice President, National
Marketing and Development

Lawrence D. Gildea
Senior Vice President,
Regional Director

Robert Goldschmidt
Senior Vice President,
Regional Director

Michael T. Hagan
Senior Vice President,
Acquisitions and Dispositions

David M. Jellison
Vice President, City Manager

Robert L. Kiel
Senior Vice President,
Regional Director

Ralph D. Kittrell
Vice President, City Manager

Alan T. Lingerfelt
Senior Vice President,
City Manager

James C. Lutz
Senior Vice President, Development

James V. Maneri
Senior Vice President, City Manager

James J. Mazzarelli
Senior Vice President

Steven E. Messaros
Senior Vice President,
Financial Services

Kevin P. Shea
Vice President, City Manager

F. Bogue Wallin
Vice President, City Manager

Edward R. Washington
Vice President, City Manager

Stephen J. Whitley
Senior Vice President, City Manager

Shareholder Services

Shareholders with questions concerning share certificates, account information, dividend payments or share transfers should contact:

EquiServe Trust Company, N. A.
P.O. Box 43010
Providence, RI 02940
(800) 944-2214

Investor Relations

For help with questions about the company, and for additional corporate information such as Liberty Property Trust's annual report on Form 10-K, please contact:

Jeanne A. Leonard
Director, Investor Relations
Liberty Property Trust
65 Valley Stream Parkway
Malvern, PA 19355
(610) 648-1704 or visit our website at
www.libertyproperty.com

Dividend Reinvestment

To obtain a prospectus and enrollment information for Liberty Property Trust's dividend reinvestment and share purchase plan, please contact:

EquiServe Trust Company, N.A.
Dividend Reinvestment Department
P.O. Box 43010
Providence, RI 02940
(800) 944-2214

Stock Listing

Liberty Property Trust's common shares are traded on the New York Stock Exchange under the symbol "LRY," and its preferred shares are traded under the symbol "LRYpfA."

Annual Meeting

The annual meeting of shareholders will be held at 11:00 a.m. May 22, 2002 at The Westin Philadelphia, Liberty Place, 99 South 17th Street, Philadelphia, Pennsylvania.

Legal Counsel

Wolf, Block, Schorr
& Solis-Cohen, LLP
1650 Arch Street
Philadelphia, PA 19103-2097

Independent Auditors

Ernst & Young LLP
Two Commerce Square
2001 Market Street
Philadelphia, PA 19103

Liberty Property Trust is:

Harrison Ackerman	April Cole	Rachel Gerhard	Janet Kraft	Pete Owad III	Andrew Stellatos
Stephen Ahern	Bryan Coleman	Melanie Gibson-Barton	Dana Kuper	Joseph Pacitti	Lori Stevens
George Alburger	Byron Coleman	Janell Gilardone	Jill La Veck	Jennifer Palmquist	Paul Sticha
Drew Allison	Jeff Compton	Keith Gilbert	Kathryn Lacy	Tiffany Pandolfo	Geoffrey Stiekes
Philip Almonte	Nick Condon	Larry Gildea	Craig LaLoup	Lois Paskow	LuAnn Stiles
Jeanne Armstrong	James Conner	Rita Gillespie	Scot Lambert	Jeffrey Patti	Jeff Stiras
Deborah Ayer	Robert Coover	Margaret Giordani	Jennifer Landis	Tracey Peacock	Heather Stoehr
Chris Babich	Craig Cope	Bob Goldschmidt	Jason Lauzon	Rhonda Penwright	Leroy Stokes
Kristina Bachman	Elizabeth Corey	Mark Goldstein	Ric Lawson	William Peterson	Tamar Stone
Coreena Bailey	Marcus Cornelius	Shannon Gomez	George Ledwith	Steven Petrove	Alicia Stonebridge
Geraldine Baker	Brian Cottone	Tina Goodman	Jeanne Leonard	Sue Petruno	Roger Straley
Omar Baldwin	Deby Cownden	Eric Gottshall	Steve Leszczynski	Shirley Plant	Colleen Straub
Emily Ballenger	Jennifer Craig	Wendy Greer	Lorri Lilly	Kristy Poh	James Strojanc
Carolyn Barr	Richard Cross	Mike Hagan	Alan Lingerfelt	Leslie Price	Michael Stumpo
Jennifer Barrett	John Crow	Judith Hahn	Jill Long	Theresa Price	Jim Sunday
Samuel Barth	Ralph Crowther	Bill Hankowsky	Paul Loosmann	Richard Pritchett	Tonya Swartz
Shane Beane	Denise Currin	Lisa Hansen	Gary Lorgus	Carla Puckett	Jackson Taunton IV
Sarah Bennett	Rosemary D'Allura	Randal Hansen	Jennifer Lowe	Neil Quinn	Vivien Taylor
Nicole Bennyhoff	Dana Dame	Sandra Harrell	Robert Lowery	Carlton Randolph	Rich Taylor
Thomas Berridge	Kris Daniels	Richard Harren	Jim Lutz	Ann Rhoads	Sherry Teets
Thomas Berridge IV	Ken Dardes	Bruce Hartlein	Willow Lynch	Susan Roberts	Marla Thalheimer
Lisa Bianchini	Douglas Davidson	Adrienne Haskell	Kathy Maeers	Henry Robinson	Curt Thieme
Karla Billig	Jim Daywalt	Joseph Hauska	Scott Mallalieu	Elizabeth Roche	Robert Thieme
Caroline Binns	Michael DeMezzo	James Heisey II	Wesley Malone	James Rodgers	Karen Thorp
Barbara Bishop	Robert DeMezzo	Parker Hendrix	Jim Maneri	Maria Rodriguez	Anne Toal
Terrance Blake	Joe Denny	Mary Henrie	Elizabeth Manning	Clare Rogers	Cathy Tornetta
Alex Boguk	Heather Detwiler	Chris Herrick	Timothy Mansfield	Joan Rosengarten	Joseph Trinkle
Belinda Boland	Julie Deutsch	Kerry Hewson	Kimberly Marencin	Stacey Rossetti	Susan Tucker
Deloris Bowen	Lisa Dickard	Maria Hinkins	Robin Marshall	Darlene Rossi	Ingrid Twigg
James Bowes	Marc DiLullo	Amy Hill	Tommy Martin	Bill Rouse	Teresa VanStraaten
John Brandon	John DiVall	Skip Hill	Judy Mason	James Rowland	Ingrid Vasquez
Timothy Braun	Frederick Dougherty	Wally Hodges	Jim Mazzarelli	Paul Rubincam III	Tina Veen
Jacqueline Brautigam	Scott Dougherty	Denise Hogan	Joe McCabe	Reed Rummel	John Vidor
Mike Breland	Salvatore Dragone	Jason Honesty	Terence McCann	Bob Rustad	Jimmy Vinson
Nancy Brenek	Rory Dunn	Angela Hopper	Jodie McClelland	Troy Ruth	Helen Vitoria
Troy Briggs	Steven Dunn	William Hopson	Cathleen McDermott	Mary Jo Salazar	Rocco Vitucci
Jennifer Britt	Christopher Eckerd	Lloyd Horvath	Janet McElroy	William Sanderson	Donna Wagner
Laurie Brown	Christine Embleton	Charles Hughes	Joy McKelvey	Wilson Santiago	Christine Waite
Pam Brown	Bryan Emde	Sharonlee Hughes	Glenn McKendry	Megan Saydah	Alyse Walker
Kimberly Browne	Ralph Emerson	Margo Hunt	Mary McLean	Stephen Schmid	Bogue Wallin
Amy Buckley	Shannon Ervin	Nicola Hutton	Lynn Medley	Steven Schneider	Carolyn Walsh
Gregory Buckner	Ellen Everett	Mark Jackson	Andrew Mele	Thomas Schoenberger	Craig Waring
John Buffkin	Colleen Falicki	Todd Jackson	Steve Messaros	Jim Schow	Edward Washington
Anthony Buonadonna	Lori Farish	David Jellison	Michael Miller	Leo Scott	Beverly Watkins
Michelle Burkley	Kimberly Farmer	Owen Jepsen	Todd Miller	Leslie Scruggs	Mary Weaver
Marie Burns	Gayle Feineis	Douglas Johnson	Crystal Mitchell	Bob Sekola	Richard Weiblen
Ian Burr	Joe Fenza	Heather Johnson	Doris Mitchell	James Seurer	Kristin Weise
Brad Butler	Mike Fenza	Jeanine Johnson	Owen Mohr	Gloria Shauf	Stephen Whitley
Howard Buzzard	Rob Fenza	Joanna Johnson	Richard Molina	Thomas Shaver	Karl Wightwick
Gina Bystedt	Amy Field	Randy Johnson	Lenore Moor	Kevin Shea	Lindsey Wilkerson
Norberto Caban	Michele Fillippo	Joseph Johnston	Patrick Morello	Deb Sheehan	William Wilkerson
Steve Cabelus	Diana Finn	Denise Jones	Mary Beth Morrissey	Anne Sheppard	Chris Williams
Claire Cahill	Ward Fitzgerald	Rob Jones	Katherine Mortensen	Allison Silva	Phillip Williams
Susan Canino	James Flannery	Afshan Kaler	Robert Murdocca	Barb Smith	Robert Williams
John Carter	Tina Fleming-Duvall	Deidre Kelley	Michael Murphy	Marilyn Smith	Tonya Williams
William Case	Massie Flippin	Susan Kelly	Rosann Musso	Matt Smith	Stephen Williamson
Rick Casey	John Foot	Rita Kempfski	Christian Nascimento	Cathy Smyth	Scott Wilson
John Castorina	Susan Ford	Kathy Kiczula	Amanda Nguyen	Steve Snyder	Erick Woodhouse
Catherine Catchpole	Deborah Frank	Bob Kiel	James Nice	Kimberly Specht	Jennifer Yonchuk
Shelby Christensen	Nicole Freed	Beverly Kindermann	Greg Niland	Kathie Spencer	Mary Young
Rita Christiano	John Gattuso	Ralph Kittrell	Leah Norman	Nicole Spiewak	Melissa Yuhas
Andrea Ciuca	Brian Gehris	Tonya Klein	Karen Okey	John Spitz	Michael Yuhasz
Adriene Clark	Karen Gehrman	Christina Knapper	Kostas Omiridis	Penny Stanger	
Brian Cohen	Michele Geilfuss	Elizabeth Kozin	Crista Oser	Steven Stefansky	
David Colbert	Melissa Gerhard	Albert Kraft	Pete Owad	Joan Steinmetz	

Liberty Property Trust Headquarters:

65 Valley Stream Parkway
Malvern, Pennsylvania 19355
(610) 648-1700
www.libertyproperty.com

Full-Service Local Offices

65 Valley Stream Parkway
Suite 300
Malvern, PA 19355
(610) 648-1700

125 Witmer Road
Horsham, PA 19044
(215) 682-9902

Eight Penn Center
1628 John F. Kennedy Boulevard,
Suite 1100
Philadelphia, PA 19103
(215) 568-4100

901 Route 73, Suite 100
Marlton, NJ 08053
(856) 983-2800

1510 Valley Center Parkway
Suite 240
Bethlehem, PA 18017
(610) 867-9100

5950 Symphony Woods Road
Suite 210
Columbia, MD 21044
(410) 715-3333

12 South Third Street
Richmond, VA 23219
(804) 644-9111

2809 South Lynnhaven Road
Suite 145
Virginia Beach, VA 23452
(757) 498-4800

200 CentrePort Drive
Suite 350
Greensboro, NC 27409
(336) 668-9307

55 Beattie Place
Suite 310
Greenville, SC 29601
(864) 232-8160

4190 Belfort Road, Suite 160
Jacksonville, FL 32216
(904) 296-1776

2400 Lake Orange Drive
Suite 110
Orlando, FL 32837
(407) 447-1776

4630 Woodland Corporate Boulevard
Suite 150
Tampa, FL 33614
(813) 881-1776

777 Yamato Road, Suite 135
Boca Raton, FL 33431
(561) 999-0310

10400 Viking Drive
Suite 130
Eden Prairie, MN 55344
(952) 947-1100

26957 Northwestern Highway
Suite 140
Southfield, MI 48034
(248) 262-1010

11414 W. Park Place
Milwaukee, WI 53224
(414) 979-0222

25 Gibson Drive
Kings Hill
West Malling
Kent
United Kingdom ME19 4RL
011-44-1-732-870-375

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in this Annual Report contains statements that are forward-looking, such as statements relating to acquisitions and development activities, expected performance of properties acquired or developed, anticipated business and economic conditions in geographic markets, future capital expenditures, dividend payments, competition, growth and access to capital markets. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by the Company. These risks and uncertainties include, but are not limited to, uncertainties affecting real estate businesses generally (such as entry into new leases, renewals of leases and dependence on tenants' business operations), risks relating to our ability to maintain and increase property occupancy and rental rates, risks relating to acquisition, construction and development activities, possible environmental liabilities, risks relating to leverage and debt service (including sensitivity of the Company's operations to fluctuations in interest rates), dependence on the primary markets in which the Company's properties are located, risks relating to possible fluctuations in the business and economic conditions in such markets, the existence of complex regulations relating to status as a REIT and the adverse consequences of any failure to qualify as a REIT, and the potential adverse impact of market interest rates on the market price for the Company's securities.